TASK FORCE ON LOW INCOME HOUSING.

WORKING PAPER Nº 7

co-operative housing: program review and proposal.

central mortgage and housing corporation

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PRIMARY RESEACHER:

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Central Mortgage and Housing Corporation

PREFACE

This paper is a review of recent housing co-operatives and the policy of Central Mortgage and Housing Corporation toward co-operative housing.

We should make clear at the outset the nature of co-operatives being examined in this report. Generally, we have restricted ourselves to housing or continuing co-operatives which were related to the program of the national labour and co-operative organizations.

This focus excluded higher cost, multi-unit projects which allow transfer of units at market prices. Often in fact, these projects, although advertised as co-operatives, are simply joint stock companies with shares distributed in relation to to the original selling price of the unit. The reason why we have not examined these projects should be obvious. Also excluded, on not quite such obvious grounds, were a few idiosyncratic projects, such as the ones established near Hamilton, Ontario about 1950. These came about when a builder sold a few small apartment buildings to the residents. At least a few of the members were vigorous participants in provincial co-operative organizations. Since, however, these projects were formed almost by happenstance and operated quite outside the boundaries of any housing program by government or co-operatives, they have not been included here.

A futher and more regrettable limitation is the sparse treatment given to the building co-operatives. As will be seen in Chapter 3, the Nova Scotia program was briefly reviewed, but the programs of other provinces, for example, New Brunswick, were not examined. This state of affairs is a direct result of time constraints, but also reflects the

judgement that housing co-operatives should receive priority because of their urban focus and the fact that they had been subject to relatively little examination. This judgment is not at all intended to denigrate the validity or importance of the building co-operative approach, particularly in smaller centres and when organizational and technical assistance can be made available. There seems in fact to be a resurgence of interest in building co-operatives.

This report contains rather little on the co-operative housing program in Quebec. This area was studied quite independently by Cesar Rutigliano of the Centre de Récherches Urbaines et Régionales as part of the Centre's more comprehensive examination of housing in Quebec. The completed study has not been fully integrated into this report. The Quebec programs and experience in any case stands on its own. It is not thought that the results of the Quebec study prejudice or reinforce the results of the policy examination contained in this report. The full report on Quebec, Les Coopératives d'Habitation, should be studied.

A number of persons contributed to various parts of this report. Judi Stevenson was involved from the outset, and in particular carried out and wrote up the examination of the Nova Scotia experience. Dan Burns undertook a number of the Ontario project reviews and interviewed the residents of Solidarity Towers, Windsor. Heather Anderson of the Canada Manitoba Housing Committee provided some material on the Willow Park projects. I am grateful for their assistance and also for that of Michael Dennis who was a constant source of suggestions and questions.

TABLE OF CONTENTS

Abbreviations

BMIB	Below Market Interest Rate
BO	Branch Office of CMHC
CCSM	Co-operative Credit Association of Manitoba
CDAW	Co-operative Dwellings Association of Windsor
CHAT	Co-operative Habitat Association of Toronto
CHC	Citizens' Housing Committee of Metropolitan Toronto
CHF	Co-operative Housing Foundation, Ottawa
CLC	Canadian Labour Congress
CMHC	Central Mortgage and Housing Corporation
Coop Habitat	Co-operative Habitat Association of Toronto
CRSL	Co-operative Residences (Saskatchewan) Ltd., Regina
CUC	Co-operative Union of Canada
FCH	Foundation for Co-operative Housing, United States
FHA	Federal Housing Administration, United States
HO	Head Office of CMHC
HUD	Department of Housing & Urban Development, United States
NHA	The National Housing Act
NLCC	National Labour Co-operative Committee
NSHC	Nova Scotia Housing Commission
OHC	Ontario Housing Corporation
OHF	Ontario Habitat Foundation
TFLIH	Task Force on Low Income Housing
The Act	The National Housing Act
The Corporation	Central Mortgage and Housing Corporation
UAW	United Automobile Workers
UHF	United Housing Foundation, New York City
Western	Western Co-operative Housing

CHAPTER 1

INTRODUCTION

No one seems to know when the first housing co-operative was started in Canada and our knowledge of that primal event may be lost forever. It is quite clear, of course, that the first of the building co-operatives was begun in Cape Breton in the late 1930's. In its wake came the first real program of co-operative housing in the country. Its successful growth was in large measure due to the extensive assistance, in motivating and training co-operative building groups, supplied by the extension department of St. Francis Xavier University in Antigonish. In 1953, Provincial assistance was secured and Federal financing made available on a regular basis through an agreement between the Province and the Federal government. A few years ago the entire program was taken under the wing of the Nova Scotia Housing Commission and the volume greatly increased.

Other provinces, of course, had significant amounts of building co-operative activity in the 1950's. This was true of both Quebec and Ontario although the nature of the program in each province differed significantly. The end result was the production, through this co-operative development method, of a significant number of units, in which the eventual residents of the project engaged in the actual construction of them. High estimates place the total number of units developed by this method at approximately 12,000.

Although in the late 1950's, building co-operative projects were carried out in the burgeoning suburbs of larger Canadian cities, it was apparent to most that the building co-operative pattern could not prevail in an urban environment where members faced competitive demands on their time and the housing industry was active and efficient. In this setting a new co-operative tool was required.

It came in the form of the continuing or housing co-operative. The first of these was Willow Park Housing Co-operative Ltd. in Winnipeg. The groundwork for this project was begun in the late 50's, but the project itself did not open until 1966. Since that time we have had approximately a dozen other substantial housing co-operatives in urban areas.

The existence of these additional co-operatives is in large measure due to the program of the National Labour Co-operative Committee which has promoted co-operative housing across the country.

Almost all of these housing co-operatives have received their loan commitment in the past two years. Almost every project posed a number of policy questions since Corporation experience in this area was slight and policy was seriously under-developed. This was in marked contrast to the significant efforts which had been made to develop a comprehensive housing policy for building co-operatives.

The intent of this report is to examine the experience of recent co-operative housing projects and to begin the policy analysis process which is required at the present time.

There is some truth to the observation that it is rather peculiar to review co-operative housing within the context of a low income housing task force. As the Corporation has often pointed out, housing or continuing co-operatives have not been conspicuous for their performance in the low income field. That statement, however, also bears upon the Corporation.

Willow Park in Winnipeg, the first of the continuing housing co-operatives, had families with annual incomes of $3,000 to $6,000 as their initial target population. But achieving this goal required access to limited dividend mortgage loans, and Corporation policy ruled co-operatives ineligible. The Corporations's statement about co-operative's low income performance is, therefore, rather disingenuous. The National Labour Co-operative Committee has in fact requested access to rent supplement funds so that accommodation could be provided at less than the economic cost.

It is precisely questions of this order which will be examined in this report.

Since the existing literature on co-operative housing in Canada is almost entirely exhortatory, it was necessary to provide a philosophical, historical and organizational framework in which to discuss both past and possible future policy. The initial chapters of the report are designed to provide this base.

The second chapter begins with an attempt to situate co-operative housing within the broad spectrum of co-operation and co-operative philosophy. The need for adequate understanding of this philosophy within the Corporation, and within co-operatives, is stressed. Quite clearly, unless Corporation personnel have a firm understanding of the nature of co-operatives, there can be little expectation of reasonable interpretation and application of policy. Since the terminology used for co-operative housing was largely developed with respect to the building co-operatives and is a source of confusion in the case of the parent housing co-operatives, new definitions of necessary terms are suggested. We then pass to a brief discussion of some aspects

of co-operative housing in the United States which are suggested for Canadian policy.

Chapter 3 begins the review of co-operative housing in Canada with the building co-operatives in Nova Scotia. History in itself accords them priority, but there is also their enviable performance (until recently) in the low income housing field.

We then undertake a rather lengthy review of co-operative housing in Central and Western Canada and the program of the National Labour and Co-operative organizations. All projects related to this program are at least briefly reviewed, and extensive case studies are made of several. It is the information provided in this chapter, that provides much of the factual grounding for the policy reviews made with respect to the Corporation and co-operatives in subsequent chapters.

Chapter 5 then reviews the structure and performance of co-operatives in housing. It also surveys the nature of co-operative organizations and the field of promotion and development. Possible dimensions of co-operative activity are suggested. This is followed in Chapter 6 by a detailed review of Corporation policy toward co-operatives. Policy is analyzed in accord with its historical development and is related to the experience of different projects reviewed in Chapter 4. The last chapter suggests a program package for a significant co-operative housing program within a low income housing policy.

CHAPTER 2

FROM CO-OPERATION TO CO-OPERATIVE HOUSING

A. Co-operation and Co-operatives

We must begin by clarifying what we mean by co-operatives and co-operative housing. We cannot overlook the frequent confusion and ambiguity which often attends these terms.

Co-operative is not a univocal term. As we have been recently reminded by the Select Committee on Company Law of The Ontario Legislative Assembly, there is no "precise, authoritative definition of a co-operative association."[1] But the lack of a hard definition does not prevent us from obtaining much greater clarity about the nature of co-operatives. Co-operatives are are best approached from a double vantage point: the historical philosophy of co-operation and the statutory requirements.

The essence of co-operation lies in its economic and political philosophy. Its root is a commitment to democracy and societal welfare in economic affairs. Economic action is seen to be a function of equal interdependent actors who act with the intent to bring about a state of affairs which will benefit a larger group than themselves. It is the commitment to equality, interdependence and societal welfare which gives co-operatives a different structure and self-understanding from capitalism.[2]

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1 Report on Co-operatives, 1971, p.1.

2 See G.N. Ostergaard and A.H. Halsey, Power in Co-operative (Oxford: Basil Blackwell, 1965).

Over the years there have been a number of attempts to codify this philosophy. The most common English language statement of co-operative principles is that drawn by the Rochdale Society of Equitable Pioneers in 1844. The principles were revised by The International Co-operative Alliance in September 1966. In the revised form, they stress that co-operatives are voluntary and non-discriminatory in membership, and democratic in organization. Share capital receives only a limited rate of interest, if any, and any annual surplus is to be distributed on an equitable basis to the members. Education is an essential element of co-operative practice. And co-operatives should actively co-operate with each other.[3]

The Co-operative Union of Canada has adopted a more extensive statement of the implications of co-operative principles and practice in Canadian society. (See Appendix B.)

Paul Lambert, a leading European theoretician of co-operation, has proposed a broad definition of a co-operative:

> A co-operative society is an enterprise formed and directed by an association of users, applying within itself the rules of democracy, and directly intended to serve both its own members and the community as a whole.[4]

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[3] The revised principles were formulated by the ICA Commission on Principles and adopted by the 23rd ICA Congress, Vienna, September, 1966. The full text may be conveniently found in Report on Co-operatives, p.103. See Appendix A.

[4] Paul Lambert, Studies in The Social Philosophy of Co-operation (Brussels: S.G.C., 1963), p.231. H.J. Seraphim developed the notion of the meta-economic. See Lambert, pp. 241-243.

This definition is based on extensive economic and historical analysis. When it is unpacked, it understands a co-operative to be an organization which is non-profit and operated for the commonweal. It is an enterprise, and must perform effectively as such, but it has "meta-economic" aims as well.

The enabling provincial legislation for co-operatives most often sets out only minimal qualifications for co-operative corporations.[5] The law generally takes little account of the philosophy or principles of co-operation, even when these can be expressed in a form which lends itself to statutory enactment. For example, democratic control of co-operatives is generally expressed in the principle of "one man/one vote" (as opposed to votes being a function of shares), but some provinces do not restrict co-operatives to operating according to their own principle. Provincial governments do have an official whose function is to see that applicants for co-operative incorporation profess a commitment to the principles and philosophy of co-operation.[6] This, however, is a weak device, and as a result we have a number of minimal (or even bogus) co-operatives in many places. Such corporations are oblivious to co-operative principles or philosophy. They fulfill only the formal, statutory requirements for a co-operative. Their proponents have simply found a co-operative corporation an expedient vehicle for carrying out their entrepreneurial aims.

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[5] See a standard U.S. legal text, I. Packel, The Organization and Operation of Co-operatives (3rd ed., 1956), p. 2.

[6] See Report on Co-operatives, pp.4-5 for a list of various provincial statutes, and Chapter 8 for how co-operative activity is overseen in various provinces.

One example would be a co-operative taxi company in Toronto which is in fact a joint dispatching service for a large fleet of cabs owned by joint stock companies and individuals. A perhaps more exalted example of a minimal co-operative is the joint purchasing centre established by Catholic religious organizations in the Toronto area.

The NHA, Section 7(1)(a) requires the Corporation to approve "The instrument of incorporation of the co-operative housing association and its by-laws" as a condition of insuring or making a loan. Section 2(7) states that:

> "Co-operative housing project" means a housing project built by a co-operative association incorporated under the laws of Canada or of any province."

Thus, the NHA requires only a minimal co-operative - one which simply fulfills the statutory requirements. But is this minimalist position sufficient? Is it enough for a co-operative applicant to be a properly formed corporate entity?

The Corporation's minimalist criteria would be sufficient to rule out many of the specious co-operatives in the field of housing. The best examples are multi-unit projects owned generally by higher income residents who, especially prior to the introduction of condominium legislation, have used the co-operative form as a means of obtaining "ownership" in a multi-unit project. Often in fact what have been, and are, advertised as "co-operatives" are not organized under co-operative legislation, but are simply joint stock companies with shares distributed to residents in proportion to the size of their unit. In contrast to the co-operative requirement of one man/one vote, the voting in these "co-operatives" is on a per share basis. It is conceivable of course that a properly organized co-operative of this general nature could approach the Corporation, and argue that it satisfied the minimal criteria.

During the era of the building co-operatives, the Corporation did look beyond the minimal statutory critera. The Corporation, through harsh experience, saw that the co-operative form could be exploited by the unscrupulous in order to realize speculative personal gain. It was also difficult for the Corporation to determine if a co-operative building group had engaged in the requisite six month study program. Since a number of failures were traced to inadequate training and preparation, the desire for assurance on this point is easily understood.

For both these reasons, the Corporation preferred, and at times considered requiring, that the bona fides of a co-operative applicant be certified by the Co-operative Union of Canada or one of the provincial co-operative unions. A group without such connections could still quality if it could convince the Corporation of the adequacy of its training program and the probity of its intentions.[7]

The Corporation, therefore, had looked beyond the minimalist definition of a co-operative housing association but had done so only from the vantage point of a mortgage lender in a social housing program.

This must be taken further. A broader sense of the philosophy of co-operatives must become part and parcel of the Corporation's response to co-operatives. Co-operative housing

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7 See Secretary's General Memorandum, No. 29, March 16, 1955. Section 2(a); and Memorandum to all Branch, Loans and Regional Offices, June 17, 1954, rule (1).

must be understood as more than a form of tenure, especially as more than one in which the tenant stands to lose and the co-operative tends to benefit. This is the clear implication of the most recent Corporation General Instruction on Co-operatives.[8]

One of the major virtues of co-operatives, according to many head office personnel, is their "participation feature". The Corporation's interest in this aspect clearly gets beyond the minimalist position. But participation must be grasped as more than the "pre-sale" of a given percentage of units. The Corporation must have enough understanding of the dynamics of participation to encourage its development within co-operatives, even when this means periodic turnover of co-operatives' directors and staff.

Let us sum up this section and our recommendations. A truly <u>bona fide</u> co-operative must be more than a corporation which satisfies the minimal criteria of the statute under which it is incorporated. It should be a corporation, the members and directors of which are committed to the broad, historic principles of co-operation as expressed in the Rochdale principles. They must be committed to a participative approach to their self-management, and to contributing, without profit, to the betterment of their society.

It is recommended that (1) the Corporation take account of the broad philosophy of co-operation and ensure that it is known by branch and head office personnel; (2) that loan applicants

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[8] See No. 310, June 24, 1968, p.2, section 4.

which do not profess commitment to the broad principles of co-operation be required to apply as non-profit corporations, and not as co-operatives; and (3) that the Corporation encourage the development of participative processes within co-operatives.

B. Co-operatives in Housing: Some Definitions

Once we have an adequate understanding of co-operation, we must attempt to sort out the language used in connection with co-operative endeavour in the field of housing. As Dr. A.F. Laidlaw has rightly pointed out, co-operative housing is a rather vague and general term referring to any of the many ways in which people may get together co-operatively to provide housing for themselves. For example, they may organize in a do-it-yourself scheme and build houses which they will own individually at the end of the mortgage period; or they may organize co-operatively for the purchase of land and building supplies and build houses which will be individually owned when completed; or they may have houses built for ownership by a consumers' co-operative of which they are members; or they may have houses built through some form of co-operative financing or a co-operative organization may provide some form of housing, e.g., limited dividend, for some of its members. In all these cases some form or degree of co-operative action results in housing, although a permanent housing co-operative may not be the end result.[9]

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[9] "Co-operative Housing in Canada", C.I.R.I.E.C. Canadian Review, I (1968), p. 63.

In addition, there are co-operative construction companies, informal co-ops of single people renting a house for their own use, co-operatives which exist primarily to sponsor or provide advice to groups interested in direct co-op housing action, etc. A co-op might be primarily for families, single people, students, senior citizens, Indians or Metis, single-parent families, or almost anyone else. In short, there are many modes of co-operative housing.

Stricter definitions are hard to come by. The standard text on U.S. co-operative housing law, for example, does not define "co-operative" or "housing co-operative", although it defines many terms involved in co-operative housing.[10]

The usage common in Canadian co-operative housing circles provides for two kinds of co-operatives in housing: a building co-operative and a continuing co-operative. The latter in particular is unsatisfactory because it is used with reference both to the persistence of building co-operatives until the mortgage is discharged, and to multi-unit projects which, from the outset, are conceived of as co-operatives in perpetuity. Furthermore, it would seem axiomatic that a co-operative would be "continuing".

The following is a series of suggested descriptive definitions of the principle co-operative forms in the residential field.

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[10] P.J. Rohan and M.A. Reskin, Co-operative Housing Law and Practice, (New York: Matthew Bender, 1969), Chapter 2.

A building co-operative is a co-operative company formed by individuals for the purpose of participating in the actual construction of their own houses. In Ontario, the building co-operative was usually dissolved upon completion of construction and individual title transferred to the builder-resident. In Nova Scotia the co-operative continued until the first mortgage was discharged at which time the houses were transferred to the individual residents. (Building co-operatives are discussed further in Chapter 3.)

A continuing building co-operative is the organizational form assumed by a building co-operative after the completion of construction in instances where a single blanket mortgage and collective ownership is retained until the mortgage is fully amortized and/or discharged. This is the dominant form in Nova Scotia. It also appears in other provinces. Co-operative leaders prefer this form because it signifies a continuing inter-dependence and the possiblity of extending co-operative endeavors to other areas of activity. In practice, the reason a building co-operative continues into the operational phase is a function of government financing policy and not a matter of a decision in principle by the co-operative residents. There are exceptions of course, such as the 10-unit Beaubear Housing Co-operative in South Nelson, New Brunswick.[11] Generally, the member involvement in continuing building co-operatives is no higher than it is in building co-operatives after title has been transferred to the individual residents.

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11 J.F. Midmore, Report on Co-operative Housing (Ottawa: C.U.C., 1962), p.57.

Often, the term "continuing co-operative" is used for what we shall refer to as a housing co-operative.

It is proposed that the term housing co-operative be reserved for a housing project of any physical form owned in perpetuity by a *bona fide* co-operative corporation composed of the residents of the projects. This is in conformity with the approach taken by Dr. A.F. Laidlaw in "Co-operative Housing in Canada".[12]

In the public eye, co-operative housing in Canada is still largely identified with building co-operatives and their products. Usually, after mentioning co-operative housing in conversation, one must distinguish it from building co-operatives. This has been done primarily by using the term "continuing co-operatives" to refer to more recent, relatively large scale multi-unit projects, must as the 200-unit town house project of Willow Park in Winnipeg, or the 300-unit apartment of Solidarity Tower in Windsor. But, "continuing co-operative" only tells the initiated that we are talking of housing. Therefore it would seem in order to use the most natural term, "housing co-operative" to refer to the most common end product of co-operative activity in the residential field. In the next few years the growth of co-operative housing projects, particularly in urban centres, should fix an identity for housing co-operatives which will dispel the likelihood of confusion with building co-operatives, especially since the latter are active virtually only in Nova Scotia at the present time.

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12 *Op.cit.*, p.63.

A development co-operative is a duly constituted co-operative corporation with a local, provincial, or regional base whose function it is to develop housing co-operative projects. Co-operators usually speak of these co-operatives as "mother societies" and of the projects they produce as "daughters". All of the housing co-operatives beginning with Willow Park in Winnipeg in 1964 have followed this two-stage approach which is based on the Swedish pattern. Willow Park was developed by the Co-operative Housing Association of Manitoba whose membership is largely composed of organizations with province-wide scope, and Solidarity Towers was developed by the Co-operative Dwellings Association of Windsor whose members are Windsor organizations.

Development Co-operatives carry out their development function in different manners. CHAM is providing a total development service including design and construction on their current Willow Park East project. CHAT, on the other hand, proceeded by way of a proposal call whereby the actual builder-developer performs these functions. The London Co-operative used the traditional, and most common, approach of hiring an architect and arranging for a builder to construct the project.

The actual development method is secondary to the fact that all act in the first instance as developers of particular projects which become, upon occupancy, housing co-operatives.

The "mother-daughter" language does not seem to lend itself to precise use, and replacements have been sought for some time.

In a number of instances, the housing co-operative has been organized at the outset of the project even though the directors and membership are co-extensive, or nearly so, with the development co-operative. The Corporation seems to have preferred this approach, although on at least two of the 1970 projects, loans were made to the development co-operative which plans to organize a housing co-operative of the residents and transfer the project to them within a reasonable period after completion of construction.

In addition to building, continuing building, housing, and development co-operatives, there are, of course, promotional and educational organizations such as the Co-operative Housing Foundation, and special membership organizations, such as student residence co-operatives. In this report we will be almost exclusively interested in the Co-operative Housing Foundation, and in the development and housing co-operatives.

C. Co-operative Housing and The National Housing Act

The revised NHA of 1944 was the first to contain a section on co-operative housing. This would seem to have been influenced by the extensive attention which co-operative housing received in The 1944 Curtis Report of The Advisory Committee on Reconstruction.

Since its introduction in 1944, the co-operative section of the Act has not been changed in substance.

Section 7 (formerly 8)

(1) A loan to a co-operative housing association not insurable unless

(a) the instrument of incorporation of the co-operative housing association and its by-laws are approved by the Corporation;

(b) the Corporation is satisfied that

(i) in the case of the project that will continue to be owned and managed by the co-operative association after completion of construction, at least eighty per cent of the family housing units of the project will be occupied by members or shareholders of the co-operative association; or

(ii) in the case of a project consisting of houses that on completion of construction are to be conveyed to members or shareholders of the association, at least eighty per cent of the members or shareholders will each own a house; and

(c) in the first instance, repayment of the loan is secured by a first mortgage on all the family housing units in the project.

(2) When the construction of a co-operative housing project consisting of houses has reached a stage satisfactory to the Corporation and the co-operative association conveys a house in the project to a member or shareholder of the association, the first mortgage or other security may be discharged in respect of the house and a new mortgage or other security taken in favour of the approved lender from the member or shareholder in an amount equal to the portion of the loan made in respect of the house in the first instance, and such amount shall be deemed to be a loan to a home owner and is insurable.

Other sections of the NHA which are of some relevance to co-operative housing are the following:

Section 15 (16)

This section is traditionally known as limited-dividend housing or more recently as low rental housing. It provides for direct loans from the Corporation to borrowers who will provide housing at a cost agreed upon between the Corporation and the borrower. The interest rate is generally one to two points below the NHA rate and the term of the loan can extend up to 50 years.

The Corporation has refused to make loans available to housing co-operatives under this section. Loans have, however, been made to co-operatively sponsored limited-dividend corporations. Examples would be the loans for senior-citizen units made to Twin Pines Apartments Ltd. and the loan to the Hamilton Labour Council for a family housing project, which however, was not built.

Section 40 (formerly 35A)

Under this section, building co-operatives in Nova Scotia, as well as in some other Maritime provinces and Saskatchewan, have been financed through an agreement between the province and CMHC.

Part VII, Sections 46-48 (formerly Part VIA, Sections 36A-D)

University student co-operatives have been financed under this student housing part of the Act.

Section 58 (formerly 40)

Most, if not all, housing co-operatives have been financed under this section of the Act. This would include

Willow Park, Solidarity Towers in Windsor, and all the more recent projects financed in 1970 under the $200 million innovation fund. Under this section, co-operatives have received loans both at the NHA rate and at the below-market-interest-rate of the 1970 $200 Million Special Program.

The experience and difficulties which co-operatives have had with these various sections of the Act will be examined in the course of this paper.

D. Co-operative Housing in Other Countries: The U.S. Experience

1. Introduction

There is neither great need nor merit in recounting the tale of co-operative housing in western and northern European countries. The basic information is set out in sources well known to the Corporation.[13] Getting beyond basic data to a solid appraisal of co-operative housing in a given country would require a comprehensive analysis of the entire societal and housing system. In the absence of this analysis, which was obviously beyond the scope of the Task Force, only uncritical, and very likely, misleading analogies to the Canadian situation could be advanced. We have instead refrained entirely.

This is not to negate the European experience; it is to call for a thorough and extensive examination which does not appear to have been yet undertaken. Some programs in Eastern Europe, such as Poland's program of co-operative new towns, should also be looked at.

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13 See J.F. Midmore, Report on Co-operative Housing, pp. 25 - 37; CMHC 1971 Policy Paper on Non-Profit and Co-operative Family Housing; S.B. Lujal, Housing Co-operatives (Geneva: I.L.O., 1964).

The experience of the United States, however, deserves closer attention; legislative, cultural and institutional forces are sufficiently similar to those of Canada, especially Canadian housing legislation.

2. U.S. Federal Legislation: Market Interest Rate Program

As in Canada, U.S. legislation assisting housing co-operatives was part of the Post-World War II recovery package. In 1950, the National Housing Act, Section 213, provided mortgage insurance for housing co-operatives on the same basis as rental projects. Many of those taking early advantage of the legislation were co-operative purchasers of government wartime housing. As the decade wore on, the emphasis shifted to new housing in larger cities.[14]

The U.S. legislation is peculiar in that it set out a variety of acceptable terms for co-operative borrowers. It provides for co-operatives composed of intending residents, co-operative sponsors for project without a membership, and, in a play toward free enterprise, for developer or investor initiated projects intended to assume co-operative tenure upon completion. An additional form mediates the developer approach and co-operative sponsor approach by having the developer deliver to a sponsoring co-operative who organizes the continuing or housing co-operative. We shall look at this approach in connection with the program of the Foundation for Co-operative Housing.

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[14] See S.F. Boden, "Has Co-operative Housing Come of Age? The Association for Middle Income Housing", in J. Liblit, ed., <u>Housing - The Co-operative Way</u> (New York: Twayne, 1964), pp. 213-233.

Housing produced under Section 213 co-operative auspices have provided a considerable number of market interest rate units to middle and lower-income families. It has been generally concluded that these projects have provided them with housing considerably superior to rental housing which would have been the most likely alternative.

By April 1968, the Federal Housing Administration, had insured loans for 119,000 co-operative units in 2000 projects. (Because this figure includes existing housing refinanced upon assuming co-operative tenure, it is not possible to calculate the co-operative percentage of housing starts. It would, however, be well less than 1%.)

As is the case with most market interest rate housing, little research has been done into the social aspects of life in the Section 213 housing co-operatives. FHA statistics forcefully illustrate, however, that, from a lender's or insurer's standpoint, and that of the resident as well, there is at least one significant difference between investor-sponsored and co-operative-sponsored projects. The Douglas Commission reports that the consumer oriented co-operatives have the best repayment record of any of the FHA market interest rate programs.[15] Investor-sponsored projects have had serious problems. There has been a pattern, hardly random, of land profiteering, construction below specifications, lack

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[15] National Commission on Urban Problems, _Building the American City_ (Washington, GPO, 1969), p. 135.

of construction cost control, and conflicts of interest between the investor or developer and the co-operative.[16] An investigation by the U.S. Comptroller General in 1968 showed that 57% of the completed investor-sponsored projects "were either in grave financial difficulty or were not run as co-operatives."[17]

The difference between the two methods of developing a co-operative speaks for itself. This is not to say that there is no role for the private builder in the development of co-operative housing; we will be looking at a number of approaches in the program of the FCH and instances of Canadian co-operatives. It does serve to underline the difference in ends between the developer and the co-operative, and the need for a competent mediating force whose first interest is the co-operative.

3. Below-Market-Interest-Rate Programs

In 1961, long after the introduction of a Canadian program, the U.S. Congress adopted Section 221(d)(3) of the National Housing Act, a limited dividend program intended to assist families displaced by urban renewal with incomes falling between public housing eligibility and the cost of market accommodation. The program grew slowly until the last few years of the decade, and has been phased out with the introduction in 1968 of the 1% interest rate programs under Sections 235 and 236.

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16 Interview with U.S. co-operative housing officials; Building the American City, p. 138.

17 Ibid.

The Section 221(d)(3) program offered loans for 40 years at the federal government's average long term borrowing rate. For the first four years of the program, the rate ranged from 3-4%, but, in the face of rising rates, in 1965 it was fixed at 3%. Eligible borrowers included non-profit associations and co-operatives as well as limited dividend corporations. It should be noted that the eligibility of co-operatives under this program was never an issue. There was no argument advanced that opening the BMIR program to co-operatives would make it impossible to hold off a subsidized home ownership program. There was no argument as to whether co-operatives were home ownership or rental, or that under a primarily rental program, no equity could be put up by the resident. A simple judgement was made that bona fide housing co-operatives should be eligible (d)(3) borrowers.

What about co-operative performance under this program? In terms of production, co-operatives have been responsible for about 15% of the 160,000 (d)(3) BMIR units.[18]

The Douglas Commission pointed out in 1968 that about one-third of all BMIR projects are co-operatives. The lower figure first quoted is probably a result both of a tighter definition of co-operative and of greater entrepreneurial activity in 1968-1970 when more (d)(3) BMIR units were produced than the total of the first seven years of the program. At this point, much co-operative interest shifted to Sections 235 and 236. Co-operatives have, then, a demonstrated capacity to produce under the program.

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18 FHA cumulative data sheets through April 30, 1970, and dated June 1970.

But what about their operating performance? "The co-operative program under 221(d)(3) has achieved a remarkable record. There has not been a single default in any co-operative mortgage although the default rate on BMIR rental projects is over 3 per cent."[19] Furthermore co-operatives were leaders in racial integration in BMIR projects.

A perennial knotty question in co-operatives is the policy on what a departing member receives from the co-operative. Most U.S. (d)(3) projects follow neither a market value nor par value approach; instead, and with the sanction of the federal government, they allow a depositing member the amount of his equity downpayment adjusted to reflect dollar depreciation plus an average of 50% of the repaid mortgage principle attributable to his unit.[20]

The stance of CMHC has been that residents of a BMIR project should not be able to achieve any speculative benefit. The U.S. approach is in conformity with a view of housing as a market commodity and instrument of one's financial betterment. It is, however, leading to problems as higher and higher entry payments are required of successive occupants of a unit. Co-operatives are now experimenting new techniques of financing entry payments by successive occupants.[21]

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19 Building the American City, p.135.

20 See private memorandum by the then President of FCH Services Inc., Roger Willcox, re-printed in part in Jerome Liblet, ed. Housing the Co-operative Way (New York: Twayne, 1964) pp. 123-130, and Building the American City, p. 137.

21 Interview with Stan Payne of FCH Services, Inc., Great Lakes Region, Detroit, 29 April 1971.

The U.S. programs suffer from extreme bureaucratization and professionalization. HUD estimated the total time required for processing a 221(d)(3) loan at 376 working days. The manual for proponents comes to 283 pages.[22] The manual for accounts for co-operative projects is about 50 pages with forms.[23] Other manuals are as lengthy and explicit. The argument for this approach is that it makes explicit and public the program ground rules and reduces the expertise required by a proponent. This should encourage non-profits and co-operatives. But when this formidable battery of print is added to FHA insistence on professional expertise (FHA requires co-operatives to be managed by firms, not individuals), it becomes clear that it is an inhibitor of action by voluntary organizations. Its only virtue is that it is at least as inhibiting to most entrepreneurs.

4. The Foundation for Co-operative Housing[24]

The Foundation for Co-operative Housing was founded in 1950 to promote co-operative housing and to provide the necessary technical assistance in the development and management of co-operatives.[25] There is no real membership base to the Foundation and its governing body is a self-perpetuating board of trustees consisting of members of local and national elites

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23 U.S.Department of Housing and Urban Development, Uniform System of Accounts for Co-operative Housing Corporations Insured Under the National Housing Act (Washington: April 1968), FHA 4405.1. Rohan & Reskin list 7 pages of FHA forms, Section 5.02(1)(d), 5-13 to 5-20.

24 This section is based on FCH publications, contact with FCH officials during the past three years, and interviews during 1971.

25 See B. Van Houten, Asst. Chief of Publications to J. Stevenson, Task Force, May 14, 1971. FCH Services Inc., "A Developer's Guide to Presold Townhouse Co-operatives," FCH Memo #78, December 1969. H.H. Fogel, "Builder Tells Timing and Procedures for Profitable FHA Low Income Work," Apartment Construction News, September 1969 (reprinted FCH #95, 5p).

in non-profit housing, government, community and religious organizations. An increasing and disturbing number of trustees list their affiliations as "past" this or "former" that. The Foundation functions through a number of subsidiaries which, in addition to the Foundation itself, are stated to be "non-profit". The major subsidiary is FCH Services Inc. which is the active technical service arm of the Foundation in the United States. A few individuals have been very strong forces in the organization and this had led to balkanization (there are "presidents" for different aspects of the program)which is manifest in the nature of the subsidiaries and in a series of resignations of very senior officers in 1970, a number of whom set up organizations to perform services similar to FCH, especially in the management field.

The *modus operandi* of FCH is to mediate between a builder, FHA and co-operative residents. It does no building or development work.

A typical FCH project would proceed as follows. A builder or developer would approach FCH with a site, and perhaps with plans. FCH would check the site, the market, and contact FHA on possible mortgage financing. If these are positive, then plans are developed by the builder, or his architect, with FCH supplying some technical advice. An agreement is executed between the builder and FCH, whereby the builder agrees to a lump sum contract and to build, at his own risk, model units for presale. The builder also agrees to indemnify FCH for its expenses if the units cannot be presold and the project does not go ahead. FCH for its part agrees to use its best efforts to market the units and arrange HUD financing. (I am telescoping the nature of the process here; it actually takes place in a series of stages.) Once 90% or more of the units are presold, then an initial closing and mortgage advance takes plàce and construcion commences. FCH retains control of the local co-operative until 60 days after completion.

FCH supports itself on fees received for its services. Its fee for creating the co-operative, marketing the units, and liaison with FHA is 3-3/4% of the cost of the project. The federal government (FHA) has approved this fee. FCH has also received foundation grants to extend its services to additional parts of the country and to assist in training staff.

The federal government programs under which FCH has financed projects are primarily Sections 213, 221(d)(3) and 236. In a few instances they have worked to develop a co-operative project for an existing community group.

Another subsidiary, Techni Co-op Inc., assists in site planning and research into new construction techniques. It is involved with HUD's "Operation Breakthrough".

FCH has sponsored slightly over 4000 starts per year from 1964-1969, and 5-6,000 per year since. The total to date is almost 50,000 units.

The limitations of FCH's approach are its over-reliance on builders for all the real development work and its relative lack of interest in promoting and creating co-operatives which are more than a form of housing tenure.

The reliance on builders and developers has led to most of the development deficiencies which have been noticed in Canadian developer proposal programs. FCH officials admit that they often receive sites which are marginal and unattractive for other uses. Even the assistance offered by FCH is not able to overcome the inadequate designs and site planning often proffered by the builder. (This is parallel to the difficulty faced by CMHC branch architects.) In the second place, I have been to meetings attended by board members of a number of mid-western housing co-operatives sponsored by FCH and the complaints about quality of construction were extensive and not denied by FCH officials. From these meetings and an examination of FCH

outline specifications, their quality expectations are certainly not superior to cheap rental housing. They seem well below OHC public housing proposal call standards (OHC Schedule "A"). Thirdly, there is serious question as to whether FCH, or its co-operative residents, get their money's worth from the builder. One FCH official carefully explained in an interview how a builder's first co-operative project was usually well below FHA lending limits, and was good value. Successive projects by a builder increased in price until the FHA limits were reached without commensurate increase in value. This increase went to the builder's overhead and profit.[26]

In short, there are real operational shortcomings to the FCH approach. Much in the tradition of the U.S. government, relies excessively on the entrepreneur and acts to undergird the private market, to the clear disadvantage of its intended beneficiaries.

Despite several national co-operative luminaries among its trustees, FCH has a minimal bread-and-butter view of co-operation. Their orientation and education programs focus on tenure rights and responsibilities, duties of board members, and fun-and-games membership programs. Some of their literature advertises co-operative housing as a way station on the road to home ownership - just as public housing used to be promoted. This hardly reveals much commitment to co-operation as a way of life.

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[26] Interview with Frank Stats, Director of Development, Great Lakes Region, FCH Services, Inc. 29 April 1971.

FCH has been industrious in promoting co-operative housing for moderate income families, and one cannot deny the appropriate fit between their ideology and that revealed in the government programs. One wishes that the fit with a more copious notion of co-operation were a bit more snug.

5. State Programs: New York and the United Housing Foundation

A number of states have legislation and programs in the limited dividend or BMIR field.[27] New York state, for example, has had limited dividend legislation since 1926. Most of the activity has taken place in New York City, a fact which reflects both the need and presence of institutions capable of using the legislation to advantage.[28]

The most well known of a series of laws is the Mitchell-Lama Law (Limited Profit Housing Company Law). This brings together 40-year loans from the State Housing Finance Agency at its long term borrowing rate, and municipal tax abatement for up to 30 years. It is this combination which allows 40-50% reductions in monthly occupancy charges.[29]

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27 Rohan and Reskin list Arkansas, California, Delaware, Florida, Illinois, Kansas, Massachusetts, New Jersey, Ohio, Pennsylvania, South Carolina and Texas as of 1967. See Section 5.02(2)(a).

28 "Co-operative Housing in New York City," Newsletter, New York City Department of City Planning, February 1962, as reprinted in J. Liblit, ed., Housing: The Co-operative Way (New York: Twayne, 1964), pp. 257-261.

29 Rohan and Reskin, Section 5.02(2)(c), pp. 24-25.

The City of New York estimates that there are over 100,000 units of co-operative housing in the city. Half of that number have been developed and are associated with the United Housing Foundation. UHF was formed in 1951 as a non-profit association of labour unions and housing co-operatives. Through a wholly-owned subsidiary, Community Services, Inc., it develops and constructs large-scale co-operative projects. Rochdale Village of 5,860 units was opened in 1964 and Co-op City's 15,382 units in 1970.

The UHF approach must be commended for its originality and boldness: large scale; priority to interior space; disdain for architect's esthetics (in favour of what Venturi might call "an urban vernacular"); courage to build their own generating station and damn the hydro monopoly; disregard for all the conventional liberal wisdom about the goodness of core rehabilitation and badness of high rise family living; fielding an integrated organization for the planning, design, construction, marketing, and management of their own projects.

Neither the statistics nor the time were available to carry out a thorough analysis of UHF programs. The following examples are certainly worthy of note. Upon application in the mid-60's, 53.5% of the Rochdale Village families had gross incomes of less than \$6,000, and only 3.5% earned in excess of \$10,000.[30] In Co-op City the average income is estimated at \$7,000 with 20% of the residents having incomes below \$3,000 per year and 10% above \$12,000.[31] A typical 3-bedroom would require an equity

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30 UHF, "Rochdale Village: A new concept in community living" (New York: UHF, 1967), p. 10.

31 D. Burger, Manager, Co-op City, 21 May 1971.

investment of $2,925 and a monthly charge of $170. They had no difficulty in obtaining residents in the indicated income range even though the equity requirement is quite high. There are extensive wainting lists for UHF projects. The mid-town Manhatten project which opened in 1961 is now making units available to those who joined the waiting list in 1963! UHF maintains a fund, contributed to by residents, from which loans at 2% interest are made to those requiring assistance for the equity investment.[32] There is also a state equity loan fund; however, no mention of it was made by UHF officials.[33]

The original co-op projects in the 1920's were staunchly socialist, and although UHF is at best social democratic it has lost none of its idealism. A considerable portion of its resources are put into co-operative education and orientation, and a large effort is made to build other co-operatives (food, credit, drugs, etc.) into their projects. The atmosphere in the projects seems to be good with a high degree of neighborliness and community participation.

A large portion of UHF's success must be due to its being a private organization still capable of action in a city where public bodies are increasingly stalemated.[34] It is

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32 D. Martin, Secretary, UHF, 20 May 1971.

33 New York Laws 1962, Chap. 857, section 1; New York Private Housing Finance Law, Article 2, Sections 12(2-a) and 19. Cited in Rohan and Reskin, Section5.02(2)(c), p.27.

34 G. Sternlieb, "New York's Housing: A Study in Immobolisme," The Public Interest, No. 16 (Summer 1969), pp. 123-138; reprinted in M.A. Stegman, ed., Housing and Economics (Cambridge: MIT Press, 1970), pp. 482-499.

surely for this reason that it has become, as UHF officials say, half-facetiously, Governor Rockerfeller's housing arm. They also have a strong grounding in the New York Jewish community who form the majority of the project residents. But they have strong support from moderate black groups, and an estimated 20% of the residents of recent UHF projects are non-white (UHF does not keep statistics by race). The enthusiastic public response may be in part a function of a population that has never had much expectation of home ownership, nor of geographical mobility.

In large measure, UHF projects would seem an instance where a unique and perfectly appropriate response was made to a unique set of circumstances (population, institutions, legislation). At this point in time its effectiveness can hardly be doubted; what can be questioned are its implications or appropriateness for Canada. Given the different conditions, UHF can only be a suggestion. What it suggests by its performance is the value of very large-scale non-profit projects on a participatory basis. Participation in the development phase is surely not as extensive as it is in a smaller project and it has a different character during the operational phase, but the large scale project allows for economies and value far superior to smaller project, and provides better financial security for lender and resident. Federal assistance would have to be more liberal in the launching of such a project (early advances for land purchase, for example) and supervision more constant in the development phase. It does however provide a suggestion for a demonstration project in a major Canadian centre.

CHAPTER 3

THE BUILDING CO-OPERATIVES

A. Introduction

Until quite recently, co-operative housing in Canada meant the building co-operative. As we mentioned in the previous chapter, and as we will see at some length in the following chapter, the housing co-operative is a much more recent arrival. Most people still identify co-operative housing with the building co-operative. We have, however, not examined this area in detail. We have focused our attention on three aspects of the history of building co-operatives.

The first of these is the organizational implications of the varied patterns of building co-operative activity in different provinces. The experience of Nova Scotia, Quebec and Ontario is germane. The second aspect is the situation which resulted from the Nova Scotia Housing Commission's assumption of complete responsiblity for the building co-operative program in that province. The dynamics of this situation may be of wider import.

The third aspect relates largely, but hardly exclusively, to the Ontario experience. It was largely in connection with activity in this province that Corporation policy toward co-operative housing was initially developed. Since it was a rationalization of this policy which was applied to the housing co-operatives in the late 1960's, it is important to examine its origins.

B. Nova Scotia: A Provincial Program

1. Background

In the early 1930's, the government of Nova Scotia undertook an extensive survey of housing conditions in the provinces. The study showed that the housing conditions of low income families (then defined as those with incomes below $1,200 per year) were very bad. In response, the Nova Scotia Housing Commission Act was passed in 1932 to encourage the construction of limited dividend housing; four years later the first commission was appointed.

When little use was made of the legislation, the Extension Department of St. Francis Xavier University prevailed upon the Commission to recognize co-operative organizations as limited dividend companies.[1] In 1938, construction of the first co-operative was begun at Reserve Mines in Cape Breton. Before beginning construction, the men in the co-operative had studied all phases of building for two years with the assistance of the Extension Department.

According to Commission figures, 528 units had been built by the end of 1954. In 1953, the Commission's co-operative housing program began to receive federal mortgage funds through a federal provincial agreement (NHA Section 40(35A)). In 1970, the agreement was extended to provide for federal contributions to the Commission for 75% of its administrative costs incurred in connection with the program. A ceiling of 2% of project cost was defined as the maximum allowable administration expense.

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[1] J.F. Midmore says the Act was revised to permit this. Report on Co-operative Housing (Ottawa: CUC, 1962), p.54.

In the past two years the program has been greatly expanded so that about half of the 4,000 units built in the history of the program have been started in the past two years.

2. Operation of the Program

By mid-1971, NSHC routinized the program. The standard path for a project is as follows, divided into four stages:[2]

a) Forming a Group
NSHC promotes the program through the media and their four regional offices. Applications are received from groups or individual families. In the latter instance NSHC makes a family aware of others looking to form a group. Families with incomes of $5,000 - $8,000 per year are eligible. When NSHC accepts a group it has in effect made a loan commitment.

b) Study Stage
NSHC & CMHC bear the cost of incorporating the group as a co-operative. At this time, NSHC impresses upon the members the importance of study and diligence in carrying out the project. The co-operative finds a site, and after NSHC approval, purchases it with its own funds or an advance from the Commission. A formal loan application is made at which time NSHC again exhorts members to plan and study before beginning elementary classes in home construction are made available.

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2 For a more extensive description of the various stages, see J. Stevenson, "Co-operative Housing: Interim Report," 29 March 1971, TFLIH.

c) Construction

When the co-operative has received a firm loan commitment, the land is transferred to NSHC. An agreement for repurchase of the completed project by the co-operative is executed. NSHC inspectors are available for advice on construction and they also check requests for mortgage progress advances.

d) Completion

The project must be completed within 15 months. Blended monthly payments are based on a 35-year amortization period. The co-operative also pays taxes, fire insurance, and a group reserve to the Commission. After 5 years, the loan may be discharged, houses transferred to members, and individual mortgages obtained at the NHA rate.

3. Analysis and Evaluation

Following the passage of the Housing Development Act in 1966, the Nova Scotia Housing Commission expanded its staff and range of programs. By 1970, they were sufficiently confident to assume full operational control of the co-operative home building program. The St. Francis Xavier Extension Department ceased its major responsibility for promoting the idea and guiding groups through the construction process. This step marks a significant change in the program delivery system.

The ubiquitous presence of the Extension Department field staff (often local priests) throughout Cape Breton, combined with their long history of advocacy and reliable project advise, meant that they were trusted by the people. On several

occasions the Extension Department staff was critical of NSHC performance. This contributed, however, to the Commission's desire to go it alone. St. Francis Xavier was not unwilling to leave the field, expecially since the income groups served by the program had been constantly rising. This was due to generally increasing costs and interest rates, but more importantly to the introduction in 1969 of a minimum 27% gross debt service (GDS) rates. An additional reason for the program sliding up the income scale was the NSHC practice of advertising the program, but not organizing groups, as the Extension Department had done. Consequently, the better educated and informed in the community came forward and applied. NSHC has had to continue to rely on The Extension Department for recruitment in some communities, where there has been little response to the Commission's methods.

4. Income Trends

There is a widespread and nearly unaminous impression among informed persons in Nova Scotia that the income group served by the co-operative housing program has risen much faster than real incomes or housing costs. This impression is substantiated by available quantitative information although it cannot be conclusively proven from the data at hand.

In general, the co-operative housing program now serves the second highest quintile by income, whereas formerly it served the second lowest.

Information on the incomes of members of co-operative housing groups has not been regularly assembled or analyzed. A study by the St. Francis Xavier University Extension Department in 1965 showed that about 75% of the respondents had had incomes of $4,500 or less at the time they built their house. Since the study was not sufficiently time stratified, this figure is only suggestion.

A better indicator is the relationship between the provincial quintile distribution of income and the group average and maximum family incomes established by NSHC with the concurrence of the Corporation. The quite frequent changes in the maxima suggest that actual income figures must have been close to the allowable upper limit.

Income Distribution by Quintile for Nova Scotia
1967

Quintile No.	Range	Exact Percentage
5	below $3,000	(19.4%)
4	$3,000-4,499	(19.7%)
3	4,500-5,999	(21.5%)
2	6,000-7,999	(18.7%)
1	8,000 plus	(20.6%)

In 1967, the individual maximum was $6,000. The following year, however, the maximum group average was raised to $6,500 and the individual maximum to $8,000. In June, 1970 the group average was raised to $7,000. NSHC has subsequently requested that the limits be further extended or removed altogether.

These figures show that increases in allowable maximum incomes far exceeded provincial averages. As one interviewee stated, the program was now serving "the upper middle class."

5. Mutual and Self-Help Trends

Here too we must remain without hard data, but it was universally agreed by our informants that there is less mutual help than formerly and also more labour being contracted out. The reasons are straightforward. Mutual help has decreased for three main reasons: (1) the scattering of building sites within a group because of land scarcity; (2) the increased variety of what is built, such that an equitable matching of labour contributions is more difficult; and (3) the increased sub-contracting of labour. The latter phenomenon is caused principally because the income group now doing the building has more money with which to work. Were it not for the effects of this income trend, one would expect the increase in prefabricated housing components to be an enabling factor for building co-operatively.

6. Tenure Trend

For many years the blanket mortgage has been a source of complaint from many co-operative builders. Their argument has been that they should not be held liable as a group, once construction has been completed for delinquency of a member. Their claim is that the primary benefit and raison d'être of the program is mutual support and expert advice during the planning and construction stages, and after that the group serves no useful purpose for its members. It is held together artificially, sometimes in conflict, by the bulk mortgage. The

treasurer, responsible for the paying of the bills, has to play the unfortunate role of collection agency - an unenviable chore. There is also understandable anxiety felt at the prospect of a 35-year dependency on the financial fortunes of 4-10 other families in an unpredictable economy. An additional argument could be made that such an arrangement is a deterrent to those with any thought of geographical mobility.

Although the default rate was always low, meaning that in actuality there was very little chance of a co-operative group getting "stuck" with extra debt owing, the pressure to release the groups from this collective responsibility after construction is complete has been strong for several years. At one time there was an Association of Co-operative Home Owners formed in the Sydney region, primarily to fight for this change. CMHC has resisted strongly, claiming that the bulk mortgage was the "only unique feature of the program"; the Corporation declared itself unwilling to become involved in subsidized home ownership "at this time," which would be the result if the group mortgage were to be lifted. It would appear however, that the distinction being made between the program as it existed and one in which individual title could be taken after construction is complete is tenuous indeed; operationally little or nothing would change. The real reason behind CMHC's position - and officials have stated it in correspondence - is that they are afraid of the possible demand on federal money for building co-operative programs in other provinces were this deterrent feature, i.e., group responsibility for mortgage payments, to be lifted. They do not seem to have viewed such a development as a possibly beneficial contribution to a solution of the housing problems of low income people.

In 1971, however, Mr. Andras agreed to allow individual acquisition of mortgage after five years if the whole group agrees and if they will assume the current Section 40 interest rate. This is not exactly a victory for the co-op owners: any group having built five years ago will be carrying any interest rate substantially lower than the current Section 40 rate, and would be forced to pay a very high price for their release from group payments. A more equitable solution would be to allow a group which wishes to dissolve to assume the Section 40 interest rate which was in effect at the time of their contract, as St. Francis Xavier is going to propose to the Minister.

A slightly different approach is being tried by NSHC, which is working on an accounting system in which, for example, five separate mortgages will be taken with a building group of five. This will make action on individual cases of default possible. There may be an advantage to group cohesiveness if an outside agency plays the disciplinary role.

The most telling way to look at subsidization for co-operative housing is to compare it with public housing. In Nova Scotia, units of public housing presently cost about $16,000-$18,000 to build, and require roughly a $99 per month subsidy for fifty years to meet operating costs. Building co-operatives, and the newer program of shell housing, can be built for about two thirds that amount by unofficial NSHC estimate. The monthly payment on a loan of this latter amount, including principle, interest, insurance and taxes will be $90 - $100. If this unit were to be made available to a family making $2,500 per annum, the present gross debt service would expect them to be able to make payments of approximately $35 per month, requiring the governmental subsidization of around $55 per month.

On the basis of owner contribution rising as income increases, in a manner similar to what is done with rental rates in public housing, subsidization would likely decrease over the years in many cases, but even if it were to remain constant, the total subsidization required would be very roughly $25,000 in 35 years instead of $60,000 over 50 years for the same family in public housing.

The non-cost advantages are also great. Very important is the fact that stigma is not attached to co-operatively built units as it is to public housing; it would be impossible to distinguish subsidized units from non-subsidized units. Co-operation and group effort are built into this program, meaning that the group or individuals from groups may be able to go on and solve other probelms through collective effort and action.[3] Those who attain homes this way will have a control over their unit and a security of tenure denied to them by public housing. Furthermore, the kind of units built in this manner would be more acceptable to the families involved and to their neighbours than high density public housing.

This approach might well be combined with shell housing where the need for shelter is immediate, or where circumstances of some kind would appear to prevent the family from successfully building from scratch.

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3 An inspirational example of this has occurred in Beechville, Nova Scotia, where members of several co-ops in the predominantly black community have decided to form a non-profit company and use their own labours and the skills learned through building their own units to build a small group of units for several mother-led families in their communities.

Government subsidization of building co-operatives would seem to be a positive step with a great number of positive consequences. Furthermore, it is in perfect accord with the Minister's interest in assisted home ownership.

C. Other Provinces

Nova Scotia was not of course the only province to experience building co-operative activity. The other Atlantic provinces have had active programs as well. These programs have been similar to Nova Scotia's in that they were carried out by a provincial government agency. Discussions are underway in New Brunswick concerning the use of building co-operatives within ARDA programs.

1. Co-operative Housing in Quebec: 1937 - 1968[4]

The first housing co-operative in Quebec was organized in 1941 in Asbestos. This project drew upon the experience of the Cape Breton miners. Since this early inspiration, however, there has been very little contact between co-operative housing in Quebec and the rest of Canada. Each has developed quite independently and for that reason they have been researched and presented quite separately. We shall at this point review the period up to 1968 when the Quebec co-operative housing program was thoroughly re-organized.

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4 This section is based on two sources: Le Conseil de la Co-operation de Quebec, Housing Co-operatives in Quebec (February 1968). References to pages in this work are contained in the text in parentheses with the page number prefaced by the letter C. The other work is Cesar Rutigliano, Les Co-operatives d'Habitation au Quebec, September 1971. References to this work are indicated in the text by a page number within parentheses. This section is based largely on Part I, pages 1-62.

The key features of co-operative housing in Quebec during this period can be identified in four statements. First, it consisted primarily of building co-operatives. Second, it was encouraged largely by the Catholic Church and related organizations, Third, it was financed primarily by co-operative organizations. Fourth, especially in its earlier years, it was oriented primarily toward lower income families.

A 1968 study of the Conseil de la Co-operation du Quebec identified 151 co-operative projects comprising 9,503 units developed between 1948 and 1968. The total value is in excess of $95 million (p.10). At least another 50 projects are known to have been developed by 1968 (p.3). Almost without exception, these projects were building co-operatives (Cp.60). Usually the co-operative was dissolved upon completion of of construction and individual title to the individual single family units was assumed. "The goal of the members everywhere was the same -- i.e., to own their own homes" (Cp. 2).

The development of co-operative housing in Quebec has been spread unevenly over this 30-year period. No clear cycles are identifiable, but, as in Ontario, there was a wave of interest after World War II and a general period of decline since the mid 50's (Cp. 61). It was this decline which prompted the re-examination in the middle 60's.

One of the key differences between the structure of co-operative housing activity in Quebec as against Nova Scotia and Ontario, is the variety of types of housing co-operatives. These include land buying co-operatives which engage in no building activity, "sweat equity" building co-operatives, co-operatives which act as general contractors on behalf of their

members, and co-operatives which merely act as developers arranging for the purcahse of the land and the construction of houses by independent contractors. These different forms are not mutually exclusive and almost half of the projects surveyed had utilized more than one form during the development of a particular project (Cp 79-82). In addition the most productive co-operatives on the Quebec secene have been a few co-operatives which have produced a number of projects by building up a small development organization. Not surprisingly, the two largest have been in Montreal and Quebec City.

By 1948, it was apparent that the ad hoc approach in vogue up to that point did little to deter the severe difficulties which housing co-operatives often encountered. Its members were individual, local co-operatives. During its first 20 years, the organization focussed on a number of services, the most central being building materials, auditing, and assistance in obtaining mortgage loans. It was, however, never possible to put these various activities on a firm financial base and as a result the two first decades were constantly precarious (Cp 112-115).

As a result, the continuing characteristic of co-operative housing organization continued to be that of 'spontaneisme artisanal'(p.59).

The 1968 CCQ survey of housing co-operatives then still in existence, showed that 20 of 41 respondents had been organized by clergy or by Catholic organizations. In order to get a complete picture this number would have to be supplemented by a high proportion of the additional 9 which originated in credit unions and co-operative organizations since most credit unions were based in a parish (Cp.72). Rutigliano notes that the presence

of the church was so strongly embedded in the heart of the co-operative housing movement during this time that one could hardly distinguish between apostolic motivations and co-operative motivations (p.59). Catholic organizations were also the initiators of the move to form the Federation in 1948. The leadership of the Catholic church in promoting co-operative housing was not unique to Quebec; it was paralled by the activities of St. Francis Xavier University in Nova Scotia and the work of St. Patrick's University in Ontario.

Full figures are not available on the sources of financing of these early co-operative projects. Partial response to the CCQ 1968 questionnaire showed that of the 2,678 units represented in the response, about 25% were financed by CMHC and about 60% by Caisse Populaire or co-operative organizations. This, of course, is very different from the pattern which has prevailed in the rest of the country where virtually all mortgage funds have come from CMHC.

Since co-operative housing was such a spontaneous and ad hoc event, figures on incomes of initial residents of the projects is naturally scarce. An extensive study, however, was made of about 400 purchasers of co-operative units of the Duberger Co-operative from 1959 to 1965. This study consistently showed that in comparison to the characteristics of the average purchaser of a unit under the NHA, the co-operative purchasers were slightly younger, were much more apt to have four or more children, were salaried blue or lower level white collar workers, and had annual incomes significantly less than the average NHA purchaser. Toward the end of this period, as housing costs began to increase upward, this co-operative was less able to provide housing for lower income families (p.50). Rutigliano

argues that co-operative housing, particularly in smaller centres in Quebec, provided a means for recent migrants from rural areas to obtain their own homes, something which would have been highly unlikely without a co-operative method.

By the mid-60's it was clear that new co-operative housing development was on the wane in Quebec. At this time the Federation approached CCQ and requested them to carry out a study of the role which housing co-operatives and the Federation could play in meeting the needs of Quebec families of low and moderate income.

Much of the reason for the failure of co-operatives to develop a stong and vital movement has been attributed to the close connection between co-operatives and the church. It is suggested that the church saw co-operatives primarily as a technique rather than as a social philosophy. Consequently, the co-operative housing movement was coloured and impeded by the socially conservative philosophy of the Quebec church during this period (p.61). It is certainly the case that co-operative groups generally failed to carry out any form of educational program during this time. These were the challenges which the CCQ report was to examine.

2. Ontario and the Beginnings of Corporation Policy

A few co-operative projects were begun in Ontario in the years after World War II. But there was little momentum, and certainly no program, until the Institute of Social Action of St. Patrick's College in Ottawa developed a handbook and

educational program in 1952.[5] In the next few years, the number of projects increased from 1 or 2 a year to a rate of 12 to 15. A study carried out by the Ontario government in 1958 was able to identify about 1000 units which had been developed through building co-operatives.

The increased activity led to a number of service organizations being formed. These included a Co-operative Building Soceity to provide management services, and a Federation of building co-operatives. Neither lasted, in part because of internal competition and in part because of inadequate program design. The service organizations also found that co-operatives were not eager to pay for the services which they might be able to render. One senses that time was out of joint in this attempt to develop an infrastructure for co-operative housing. If the institutions could have been fielded in the early 50's, then they conceivably could have gotten co-operative housing to a point where its volume would have made it self-supporting; a critical mass would have been reached which would have made the whole enterprise viable. Instead, with the exception of St. Patrick's, the other institutions entered the field in the mid-50's, just as it was peaking, and as St. Pat's was withdrawing due to financial pressures, there was therefore, no opportunity to consolidate before the decline set in.

Despite these reverses, a study carried out by the Ontario government was positive and recommended further support. This was made explicit in the twelve point housing program which

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5 W.W. Scott, "The Future of Co-operative Housing in Ontario" (mimeographed, June 1958).

the Hon. John P. Robarts unveiled on February 23, 1962.[6] His eighth point began, "we intend to do what we can to encourage housing co-operatives producing single family housing units for ultimate individual ownership." Specifically, the government intended to assist with interim financing and technical advice on construction. Nothing seems to have come of this, evidently because interest in building co-operatives was on the wane, and the government for its part was becoming committed to a major program under Ontario Housing Corporation.

The real significance of the building co-operative activity in Ontario lies in its importance in the development of Corporation policy toward co-operative housing. As co-operative activity increased, the Corporation became aware of a number of problems including groups who incorporated but never got a project underway, groups who failed while under construction, and groups who required increased loans due to faulty budgeting or an over-estimation of the amount which would be saved through sweat equity.

The Corporation's response was a thorough and wide-ranging analysis of building co-operatives with particular attention paid to the financial aspects. Budgets and completion statements were analyzed, field staff were surveyed and a Head Office staff member was assigned to visit a great many Ontario co-operatives to survey their operations and obtain their perspective on actual or possible problems. This gradually led to draft policy and procedure statements which were circulated for comment. It was only after this extensive invest-

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6 Ontario Legislative Assembly Debates, p.579ff.

igation, that firm policy was decided. It had a strong empirical base and was the result of substantial consultation. It is this policy which is still contained in the instruction manual, with only minor subsequent modification. The Corporation tended hereafter to regard this policy as fixed, even for housing co-operatives. We will see frequent evidence of this in the balance of the report.

D. Conclusion

There have been signs this year of renewed interest in the building co-operation approach. The government of Manitoba undertook a review of the Nova Scotia program and its applicability to Manitoba. The conclusions were promising and further consideration is being given to it.[7] The Ontario Habitat Foundation reports that they have been asked for information by a number of groups who are already looking for land. These groups are located in the Metropolitan Toronto area, Alymer and Sudbury. The Toronto group has currently requested OHC to make land available.

The historical evidence, as well as several studies, clearly suggest that building co-operatives can provide an effective and economical route to home ownership, providing that adequate educational program and technical assistance is made

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[7] Edith Nicket, "Co-operative Housing in Nova Scotia," (multilith, February 17, 1971).

available. This could be an extremely effective method particularly in smaller towns and rural areas.

It is therefore recommended that a formal and fully developed program be drawn up in consultation with the provinces and co-operative organizations, and that

a) the Corporation urge consideration of this program by the provinces;

b) especially in instances where the province is not willing to engage in such a program, that the Corporation be willing to develop a similar program with a provincial or regional housing development co-operative, and that 75% of its organizational expenses be paid by the Corporation, as provinces are under a Section 40(35A) agreement.

CHAPTER 4

HOUSING CO-OPERATIVES, 1960 - 1971

The growth and decline of the building co-operative program was a function of the decade of the 50's. Similarly, the growth of an urban co-operative housing program was a phenomenon of the 1960's. The decade began with the Co-operative Housing Association of Manitoba being incorporated on January 23, 1960. The same year, the Co-operative Union of Canada began to consider sponsoring a research report on co-operative housing. This report led to substantial discussion and eventual redirection of co-operative and labour efforts in the housing field.

The purpose of this rather lengthy chapter is two-fold. The first purpose is simply to assemble in one place information on co-operative projects of the past decade. Such information has never been collected and the interim report of March 1971 established this as an important function of this report. The second purpose of this chapter is to provide a background for the later chaters which analyse Corporation policy and practice, co-operative organization, and possible future policy. Because of limited resources, uneven availability of information, and the second purpose of this chapter, equal information has not been obtained for all projects. Instead we present a few detailed case studies and a series of less complete project reviews highlighting aspects useful to the later analytic chapters.

We will, therefore, look in varying detail at the projects which have been produced, and at the factors which assisted or impeded them. Given the purpose of this report, it focusses in particular on the role of Central Mortgage and Housing Corporation.

The information presented here has been gathered from a variety of sources. These include interviews with a great number of persons active in co-operative housing, as well as with persons in various institutions having some interface with housing co-operatives. It has also included a review of written material from co-operatives and CMHC.

The chapter has been divided into the following sections:

A. First Steps (CHAM; Midmore Report; Willow Park)

B. The Lull (The NLCC program)

C. Success and Failure (Windsor; Port Alberni; Hamilton; Abbotsford; Regina)

D. The 1970 Projects (Calgary; London; Windsor; Willow Park East; CHAT)

E. The 1971 Projects and Current Activity (Toronto; Alexandra Park; Vancouver)

A. First Steps

1. The Co-operative Housing Association of Manitoba

The Co-operative Housing Association of Manitoba traces its beginnings back to a group which met to discuss the development of a continuing housing co-operative in the early 1950's. The core of the group were some staff members of the University of Manitoba together with representatives of various co-operative groups and interested individuals. The attempt did not succeed at this point due to difficulties over land. However, some years later, in 1959, some members of the group, even though they had satisfied their own housing needs, got together to study the co-operative housing situation. They decided that they should take direct action and on January 23, 1960 the Co-operative Housing Association of Manitoba was incorporated

with objects centering on the promotion and development of co-operative housing. "The initial membership was composed of individuals not primarily concerned with housing for their own needs, and delegates from the major co-operatives and labour unions. The six organizations were: Federated Co-operatives Ltd., Manitoba Pool Elevators, United Grain Growers Ltd., Co-operative Life Insurance Company, Co-operative Fire & Casualty Company, Winnipeg and District Labour Council."[1]

CHAM was thus an archetypal development co-operative which combined elements of local and provincial support. The model is reportedly that of S.J. Borgford, whose Scandinavian ancestry made the Swedish model natural to him.[2]

With financial support from Manitoba Pool and Federated Co-ops, CHAM set out to plan a substantial co-operative community. The architectural firm of Green, Blankstein, Russell & Associates was commissioned to prepare a detailed proposal. Their proposal envisaged 980 units of housing consisting of 530 three- and four-bedroom town houses and 450 one- and two-bedroom units contained in 3-storey maisonettes. Two projects for senior citizens were proposed which were to be sponsored by the United Church and Jewish Welfare. The proposal by the architects contains detailed financial analysis and scheduling for the project.

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1 Stan Glydon, "Development and Operating History of Willow Park," 11 September 1969, p.1. A list of members is given in B. Gregory, "Willow Park: A Study in Co-operative Housing Ownership" (Winnipeg: University of Winnipeg, mimeographed, March 1971), p.4 (cited hereafter as B. Gregory).

2 Interview with Doug Ramsey, CHAM Director, April 21, 1971.

The proposal ran into resistance from every quarter in which governmental support was needed. The municipal government who owned the land the project was designed for, made an initial commitment but finally turned the co-operative down. CMHC was approached in September 1960, but Head Office could not fathom lending to a co-operative which was not composed of the residents, and stated that a loan could not be made.[3]

At the end of 1960 the chances for a co-operative project in Winnipeg did not look very good. CHAM, however, continued its work with unabated enthusiasm. A series of committees were set up, the Willow Park Co-op was incorporated and organized, and planning was continued. An extensive amount of work was also done to publicize the nature of their endeavour and to obtain the necessary local political support.

2. The Co-operative Union of Canada "Report on Co-operative Housing" (The Midmore Report)

In 1961 the Co-operative Union of Canada received a grant of $20,000 from CMHC under NHA Section 33.[4] J.F. Midmore of Regina was hired to direct and carry out the study. The completed study, Report on Co-operative Housing, was published

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[3] Head Office to Branch Office, October 1960.

[4] The process of the grant is detailed in C.R. File 116-3-15.

by the CUC in late 1962.

The content of the 90-page report is extremely general. It reviews the co-operative movement in Canada, the attitudes of Canadians towards their housing, functions of CMHC and the NHA, European and United States experience with housing co-operatives. A relatively small portion of the report is directed to review of co-operative housing in Canada. The Midmore Report concludes with the following main recommendations:

1. A 3-tiered organization structure for co-operative housing. This structure includes a national co-operative housing federation composed of the co-operative central housing societies. The function of the national organization would be primarily educational and promotional. The second tier in the structure is composed of "central co-operative housing societies." Though the Midmore Report does not specify the geographical area of a society, it seems to envisage areas approximating those of the Canadian provinces. Such a society would be the co-operative development group. CHAM would seem to be a perfect example. They would be sponsored by co-operatives, credit unions, and trade unions. The third tier in the structure would be the local co-operative housing association. This would be the product of the central co-operative and would comprise an actual housing project (pp. 77-81).

2. The Report recommends a special section in the National Housing Act for co-operatives. This action would require co-operatives to operate under Corporation-approved by-laws and to establish reserves regulated by the government. In return, co-operatives would be granted loans at the same ratio as individual home owners. They would also have access to BMIR. In addition, the 80% pre-selling requirement would be removed. The Report also recommends that municipalities assist co-operatives because this will reduce the funds required for public housing projects (pp. 82-84).

The Midmore recommendations were entirely unobjectionable---and that was their greatest deficiency. They lacked a grounding in any firm analysis and were so ambiguously framed that evasion was made simple.

Although the Report contains some esoteric bits of information, it is not developed in the context of any analysis of the broader factors, particularly financial and organizational, which must be taken into account. In addition, the recommendations are based on very uncritical analogical reasoning from the state of co-operative housing in the United States and in certain European countries to the Canadian situation.

The statistics on the role of co-operative housing in some Northern European countries may be suggestive for Canada, but in the absence of an extensive, systematic comparative analysis, they do not add up to an argument.

The Midmore recommendations were so general and vague that they were easily passed off. The Corporation's response to the request for a co-operative section of the Act was to state that one already existed, and that the Midmore report did not suggest the contents for any new section.[5]

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[5] "It may be that there should be a special section in the Act dealing with co-operatives, but it is awfully difficult to tell without knowing something of what it would contain." R.T. Adamson, Advisory Group to H.C. Linkletter, Executive Director, May 21, 1963.

Reviewing a draft of the recommendation on Section 16, a Corporation official noted, "We presume that the point you wish the make is that the Act should provide for a preferred interest rate to co-operatives where they wish to obtain financing to provide housing for their members who are senior citizens, of low income, etc."[6] Any formulation which drew a response of that nature would, one might imagine, have been sharpened quite considerably, but it was not.

Furthermore, the Report contains no implementation strategy. There is no consideration given to steps to be taken by co-operatives and other organizations if the intent of the Report was to be carried out. The Corporation suggested that some attention might be paid to the goals of co-operative activity in housing, but there was no response to this.[7]

Despite these limitations, the Midmore Report marked and furthered the redirection of co-operative interest in housing from building co-operatives to (continuing) housing co-operatives in urban areas. As a first look at the larger Canadian situation for co-operative housing, it provoked a considerable amount of discussion and debate within co-operative circles. The report, then, was not without effect.

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6 H.W. Hignett, Executive Director, to J.F. Midmore, July 24, 1962.

7 H.W. Hignett, Executive Director, to J.F. Midmore, July 10, 1962.

3. CHAM: Willow Park

Since the City of Winnipeg had decided to proceed with the Burrows-Keewatin public housing project, the full site for which CHAM had originally applied was no longer available. The City, however, did prove amenable to making an 11.6-acre parcel available to the co-operative for a 60-year term, provided that rent was fully paid in advance.

When servicing was scheduled for 1963, the co-operative had plans drawn up for a 200-unit family townhouse development. The Midmore Report and the appointment of Dr. A.F. Laidlaw, the National Secretary of the Co-operative Union of Canada, to the Corporation's Board of Directors had increased understanding and willingness to deal with housing co-operatives. The Winnipeg branch office was now asked by Head Office to pay special attention to the Willow Park proposal. From this point in June of 1963, extensive discussions and negotiations between CHAM and the Corporation took place. The Corporation objected strenuously to the cost and design of the project. The cost was unaccountably high and the design was criticised as being unimaginative in the use of the site and the internal unit planning. Further, the colours selected for the stucco exterior were described as "garish to the extreme."[8]

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[8] Cited in H. Anderson, "Willow Park Housing Co-operative: Interim Report," July 15, 1971, p.17.

The absence of Corporation policy for continuing co-operatives meant that there was great uncertainty as to proper lending criteria for the project--was it rental or home ownership?--and the Corporation position changed several times.[9] The Corporation granted a 30-year 6½-percent mortgage in the amount of $2,300,000. A condition of the loan was that no mortgage progress advances would be made until fifty percent of the units were occupied. The basic project data is as follows:

	No. of Units	Sq. Ft.	Down Payment	Monthly Charge
one-bedroom	40	550	$566	$102
two-bedroom	42	760	$750	$122
three-bedroom	101	1132	$850	$141
four-bedroom	17	1444	$950	$156

(Down payment and monthly charge are from a 1968 statement)

CHAM acted as the sponsor for the development and hired staff to inspect the progress of construction and to sell the units. The actual mortgagor was Willow Park Housing Co-operative Ltd. Willow Park also contracted with the builder and with all other parties engaged in the development of the project. The membership of Willow Park at this time was nearly the same as that of the Board of CHAM. As Willow Park has stated, "the present members of Willow Park

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9 See L.E. Smith to J.C. Hadden, May 30, 1963;
W.O. Myles to Winnipeg B.O., June 20, 1963;
A.D. Wilson to H.C. Linkletter, July 15, 1963;
A.D. Wilson to T.B. Pickersgill, October 1, 1963.

did not take part in its planning or building."[10]

Construction proceeded quite slowly; the project took about 26 months to complete. Some units were available prior to the completion of the entire project, and the first families moved in in Janaury 1966 while the area still had the aura and the messy handicaps of a construction site. Occupancy proceeded very slowly, and a full year after the first families moved in, there were still no takers for almost 15% of the units. The lengthy delay necessitated a second mortgage from the Co-operative Credit Society of Manitoba who had provided the extensive interim necessitated by the Corporation's policy of not making mortgage progress advances until fifty percent of the units were occupied. At this distance in time the reasons for the slow consumer response are difficult to determine, but they clearly included the price and quality of the units as well as limited familarity and consequently limited acceptance of row housing forms. In this instance, as in the Midmore Report, there was a strong tendency on the part of the co-operatives to identify co-operative housing with a row housing form. This was seen as encouraging a form which would curtail urban sprawl and build more economical communities.

CHAM, of course, had no prior experience in development. Even though their policy in choosing directors was

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[10] Brief to the Federal Minister of Transport and the Federal Task Force on Housing and Urban Development, October 28, 1968, paragraph 1.2.

based on the particular competence of the individual,[11] this was no substitute for experience. As a result the development encountered a number of crises. This is quite apparent in the account distributed by CHAM itself.[12] Many of the problems were financial: the City demanded prepayment of $50,000 for the 60-year ground lease; the Corporation's advance policy; the diffiuclty in disposing of units leading to the need for a second mortgage to obtain funds to make payments on the first. The rather awesome result was that CHAM and the major co-operatives backing them, such as Federated Co-operatives Ltd., who guaranteed their CCSM loan, did not lose confidence or nerve. It was hardly a professional job, but the project did get put in place and still keeps an active waiting list.

Willow Park in Operation

Willow Park has been in operation for about five years. Once full occupancy was initially obtained, a waiting list was built up and as a result they have operated with virtually no vacancy rate. This often-claimed feature of co-operative housing has clearly been successful in this instance.

From a recent survey of residents,[13] the current membership of Willow Park is predominantly blue and lower paid white collar workers, with a sprinkling of professionals. About ten percent of the units are occupied by senior citizens. If the 25 percent of the households without a working member are deducted from the total survey population, then the percentage of blue and white collar workers rises from 58%

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11 Interview with Doug Ramsey, CHAM Director, April 21, 1971.

12 Willow Park News, November 1967.

13 See B. Gregory.

to 78.8%. According to Stan Glydon, president of Willow Park, the project was drawing up to one-third of its families from the professional and managerial classes in the late 60's, but when upper income residents began to demand more services even if it meant higher monthly charges, the Board of Willow Park decided to make it clear that Willow Park was to remain for lower middle class families. The increased services were turned down and the percentage of professionals gradually dropped. The average current income is estimated to be approximately $7,000 per annum, but the spectrum is quite broad and includes families receiving public assistance and those with incomes in the $12,000 - $15,000 range.

One-third of the nine member Board of Directors of Willow Park is elected every year, and this together with the general use of a Board-appointed nomination committee has kept turnover and challenge to very modest proportions. Several members of the Board in early 1971 had been on the Board since the period prior to the opening of the project. With two marginal exceptions, the Directors all come from the professional and managerial class within the project. This seems to stem from the close connection of the project with the co-operative movement in Manitoba, which is strongly oriented toward co-operatives as a form of entreprise, demanding the same managerial skills as any other large undertaking. This view has been unquestioningly transferred to a quite different form of organization.

The Board has managed the project largely on its own resources, with the part-time paid assistance of a retired resident. This has meant that the Board does have a fine sense of the co-operative's affairs. From the evidence of the minutes

and attendance at a meeting, all operational decisions seem to be made by the full Board, and Directors are given precise assignments such as looking after a member in arrears. There are no active committees except for a recent few which are subsets of the board. Stan Glydon submitted in April 1971 a proposal to organize the workings of the Board through the use of seven committees which could also involve non-directors, but it is not known if this has been instituted. There was an attempt a few years ago to organize certain matters of communal government by means of a divisional structure based on the physical design which provides six complexes of approximately equal size. The specifics of the proposal were beyond the recall of those interviewed but it was judged to have drawn no response from the members. As a result a centralist approach was continued.

The dominant concern of the Board is the efficiency and security of the operation, and with "not letting the residents get away with anything." At a recent Board meeting[14] the most pressing problems were a few instances of persons in arrears on monthly charges. While a few members argued for a hard-line appraoch ("we are not a social agency") the decisions were lenient and gave the benefit of the doubt to the resident. The other pressing problem is the increasing number and threatened dominance of dogs!

Although the discussion at the meeting was very wide-ranging, there was no attention paid to issues of quality of inter-action within the co-op. This is part of a generally low level of understanding of the dynamics of social relations. For example, the Board has a condescending view of the Burrow-Keewatin public housing project which is

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14 April 20, 1971

located nearby. Since the project was not organized and did not have a clearly identifiable association, it was regarded as being impossible to relate to. An attempt at community organizing in the Willow Park Burrows-Keewatin area which used rather provocative literature, a stock technique of community organizing, was misunderstood by the Board which reacted contemptuously. Furthermore, there is little sense of these attitudes being at odds with a co-operative approach.

As is quite plain, the level of member involvement in the affairs of the co-operative is slight. The only time the members come together is at the annual meeting which is basically a social occasion---a buffet dinner and dance. Yet there are no signs of resentment at the location or exercise of power by the Board, and no moves by the membership to open the structure. The survey previously cited reported that almost ninety percent (87.5%) of those interviewed felt that they had a 'effective voice' in the operation of the co-operative. About three-quarters felt that Willow Park encouraged "friendlier relations within the community" than single-family houses and apartment blocks.

A question asking for the interviewee to list advantages of Willow Park showed that cost and convenience were primary with "friendlier environment" placed third and "ability to participate in policy and decision making" sixth. This last was mentioned by less than ten percent. About eighty percent felt that, given the constraints of their actual situation, the net benefits of Willow Park outweighed those of the single-family home.

Not all of these responses seem consistant, but the interview schedule was far from precise in many instances. Furthermore, we have no information on "neighbouring" in Willow Park or the extent to which informal networks give members a greater degree of control over the operation than that manifested by the structure or Board meetings.[15] Willow Park does seem to provide what its residents view as an acceptable residential environment. One might wish that the co-operative raised more expectations.

B. The Lull

If co-operative leaders had taken stock at the end of 1966 or in 1967, they might well have used the metaphor of 'one step forward, one step back.' Willow Park looked like it would pull through its initial uncertain period. This was a big step forward. But it was offset by a number of smaller steps backward, or at best by marked time. The Corporation's response to the Midmore Report had been quite audible, and quite understandable, yawns. Twin Pines, an Ontario co-operative venture in senior citizens housing, was withering although it had introduced a much-needed service. Off in a different arena where the echoes could be only indifferently heard, were the students who had just been turned down on a proposed project called 'Rochdale College'. The real success to this point had been the only family housing

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[15] Cf. L. Festinger, et al., Social Pressures in Informal Groups: A Study of Human Factors in Housing (Stanford University Press, 1963) and S. Keller, The Urban Neighborhood (New York: Random House, 1968).

co-operative, so there was reason to be optimistic.[16]

The Corporation's attitude is not easily characterized. There was plainly little enthusiasm for co-operative housing, and the carry-over of both policies and attitudes formed in connection with the building co-operatives was becoming evident.

Those who had hoped that the Midmore Report would fuel a large and immediate response among labour and co-ops, were disappointed. It was not to be. The main stumbling block was within CUC. Its leadership at this point was predominantly Prairie in origin and outlook; co-operative housing didn't interest them. In fact, it was worse than that; they had difficulty in seeing it as a legitimate outlet for co-operative activity. A farmer whose life revolved around the land he owned can have difficulty understanding even co-operative ownership of that commodity. We shouldn't talk entirely in the historical voice here because there is still a great deal of this sentiment in Prairie cities.[17]

This doesn't mean that there was no activity; a conference on co-operative housing was held in Winnipeg in 1967 so that the existence of Willow Park could be demonstrated to the skeptics. Many were convinced. When the Canadian International Centre of Research on Pulbic and Co-operative Economy devoted

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16 This section is based on reports of the NLCC Executive Secretary to the Committee and to the Corporation, as well as interviews and discussions with Jim MacDonald, Paul Melin, Glenn Haddrell, Dr. A.F. Laidlaw, J.F. Midmore, and others.

17 J.F. Midmore, Interview, 15 June 1971.

its first national seminar to Public and Co-operative Housing in Montreal in November 1967, additional conversions took place.

All in all, however, it took almost five years for the co-operative and labour movements, acting through national bodies, to commit themselves - and their wallets - to a national promotional program for co-operative housing. The Canadian Labour Congress made the move well in advance of CUC. In May 1967, the Corporation approved a $10,000 grant to the National Labour Co-operative Committee for the purpose of the "promotion and organization of co-operative housing in Canada."[18] The balance of NLCC's housing budget was made up of $5,000 contributions from CUC and CLC.

It took the remainder of the year before a staff person was chosen. In the interim, Jim MacDonald, as the Executive Secretary of the NLCC, talked up co-operative housing as he travelled across the country in connection with other programs and held a few weekend schooling sessions specifically on co-operative housing. It was at this point that the seeds of future projects were planted in a number of places. Windsor and Hamilton would serve as examples.

In 1968, Paul Melin, from Saskatoon, became the person responsible for the NLCC co-operative housing program. He had had little experience with co-operatives. But he seemed to possess the technical knowledge and personal characteristics required to promote and initiate lay groups into the mysteries of housing development. His background was in engineering and town planning.

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18 H.W. Hignett, President, CMHC to R.S. Staples, President, CUC, 30 May 1967; Agreement between CMHC and NLCC, 28 June 1967.

The pace of the NLCC program was quickened in 1968. Meetings were held in over thirty cities. The usual pattern was to have a meeting arranged by a local contact in the co-operative or labour movement. In Nova Scotia, co-operative contacts contacts predominated; in New Brunswick labour contacts. In Ontario, contact was usually through labour councils, and to a very lesser extent, through the new direct charge co-operatives in urban areas. It was during this year that the basic pattern for the development of co-operative housing was made explicit. It envisaged a four level structure: individual housing co-operatives, municipally-based mother societies, provincial or regional organizations, and a national association or foundation.

This last was actually organized with the initial sponsors being CUC, CLC, and the Canadian Union of Students which had been fielding a field worker for co-operative student housing. At this point in time, regionals existed on paper in Manitoba and Saskatchewan; the only active one was in British Columbia, and it was to have a limited future. NLCC urged the creation of local mother societies to sponsor projects and involve corresponding local members of the national labour and co-operative organizations. All this activity had not yet produced a project but it had set a number of groups loose to the chase. In almost all instances the projects which received loan commitments in 1970 and 1971 were actually initiated during 1968. The exceptions were the Toronto projects which were an indirect result of the NLCC program; they were more a result of the current of direct citizen action which was linked to co-operatives through a few individuals.

Paul Melin left NLCC early in 1969 and was not replaced that year.

NLCC thought that enough groups had now been exposed to co-operative housing for the moment since staff assistance and mortgage funds would not likely be available to others until these initial groups had developed their projects.[19] This was a short-sighted decision which did not acknowledge the assistance these groups would need during their development phases. But NLCC had become convinced at the same time that technical assistance could not be provided to groups across the country from Ottawa. Arrangements were attempted with persons deemed knowledgeable and who were closer to the situation, but these had a habit of becoming unstuck.

The primary goal of the program in these years was to create local mother societies with a membership comprising labour, co-operative, social planning and church organizations. Out of this expression of what was often termed the 'social movements'[20], it was hoped projects would come, and an enduring network of co-operative housing organizations would be built. Non-articulated program objectives and practical considerations dictated this strategy. The practical limitations were cost and distance, which come close to being the same thing, and an acknowledgement by the NLCC Executive Secretary that technical assistance was not his speciality. The non-articulated program objectives were to encourage labour and co-operatives to undertake social action and thus provide a visible service to local units of the organizations which made up CUC and CLC. This

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19 The reason often given publicly was uncertain income due to a misapprehension that the Corporation would automatically renew the grant for an additional two years. While there was some uncertainty for a brief period, the Corporation did renew the grant, and furthermore agreed to provide an additional $50,000 over an eighteen to twenty-four month period.

20 Cf. Jim MacDonald "The Third Force," Canadian Labour 13:2 (Feb. 1968), pp. 14-17.

combination of realism and real, though unarticulated, program objectives meant that an approach of directly organizing potential consumers, in the time-honoured co-operative tradition, was not attempted. The stress was always on organizations.

To sum up then, it took almost half a decade to swing CLC, and especially CUC, behind a program in co-operative housing. That program when initiated was primarily organizational and promotional in scope. It concentrated on introducing local labour and co-operative leaders, to the possibility of co-operative housing, and to the building of a local mother society. With the exception of some of Paul Melin's work, especially in Calgary, actual assistance with the development of a project was a very secondary emphasis.

C. Success and Failure

The first several projects to receive loan commitments presented very uneven results. Solidarity Towers in Windsor was acclaimed by virtue of its sponsorship and features. In Hamilton a promising limited-dividend project went sour after an extensive amount of work had been done. In B.C. also, there was success and failure, this time with smaller projects, but the echo of the failure carried through-out the province. In Regina, a planned project was called off because of poor economic conditions. All five projects will be reviewed, but the emphasis will be placed on Windsor. It alone was brought about through the NLCC program, and its tangled history is instructive.

1. Co-operative Dwellings Association of Windsor - Solidarity Towers Co-operative

Background

Co-operative housing in Windsor had its beginnings in the frustrations encountered by the Fair Rents Committee of Windsor and District Labour Council in 1966. Finding rent control impossible to accomplish, they set their sights on co-operative housing which had been brought to their attention by Jim MacDonald, then Executive Secretary of the National Labour Co-operative Committee. The ensuing project was the first to be brought about by the initiatives of NLCC.

The committee formed to develop a co-op was composed primarily of union leaders, especially from the United Automobile Workers. The President of UAW Local 444, Charlie Brooks, provided the main source of leadership. The balance of the Committee was made up of other representatives of the Labour Council, the UAW Credit Union and a local Alderman.

The Committee tried to find land at a reasonable price in the Windsor vicinity, but having no experience, they had little credibility and suitable land proved impossible to find. After some months of looking, they were finally put in touch, through CMHC by some accounts, with John Partyka of Par Realty. Partyka had a beautiful site for a 300-unit apartment building on Riverside Drive fronting on the Detroit River. He had planned to develop it as a luxury apartment building, but could not obtain mortgage financing. Branch Office files contain references to his having approached the Corporation for loan insurance, but nothing conclusive took place. Partyka

proposed to lease the land to the co-operative and to assist them in arranging the development of the building. Even though his design contained 69 bachelor apartments and 158 one-bedroom units, hardly a family project, his offer was enthusiastically received.

CMHC was approached in the spring of 1968. Jim MacDonald contacted Head Office and was told that a mortgage at 8% was most unlikely and that CMHC funds for direct loans were in extremely short supply. For a project of this size, the Corporation could certainly not promise financing. It was also pointed out that if it were a co-op, it would be regarded by the Corporation as a homeowner loan and the 80% occupancy requirement would apply. However, it was suggested that this should not be their primary concern at the moment.[21]

The Corporation, especially in the person of Executive Director A.D. Wilson, encouraged the co-operative to seek a direct loan from an approved lender. Chrysler Canada joined in an attempt to have a mortgage loan made from pension funds. Montreal Trust, the trustee, considered the request but turned it down because they had already made a commitment for an apartment building on Riverside Drive,[22] although technical arguments were advanced in explanation of the refusal.[23]

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[21] Memorandum of Jim MacDonald re: Telephone calls, May 21, 1968.

[22] B.C. Ballard, Manager, Windsor B.O. to T.B. Pickersgill, Supervisor, Ontario Region, 25 June 1968.

[23] J.G. Haxton, Vice President, Montreal Trust to D.C. Lane, Manager - Payrolls and Benefits, Chrysler Canada, Ltd., 3 July 1968 .

A.D. Wilson had gone down to Windsor to attend a meeting on June 6, 1968 with the appropriate officials from the Royal Trust and Bank of Montreal. He emphasized the desirability of a loan to the co-operative and after the meeting Mr. Ballard felt that much of the Royal Trust's reticence had been evaporated. However, on June 20, Mr. F.A. Simpson, Manager of the Royal Trust advised Head Office that they would not be able to proceed with a loan. The Bank of Montreal proved no more interested in advancing a loan even though the union did a considerable amount of banking with them.

T.B. Pickersgill, then wrote to Head Office suggesting that a loan be made by the Corporation out of the funds available to the Ontario region for limited-dividend projects. Pickersgill proposed a "Section 40 rental loan."

This was the most energetic attempt made to date by a co-operative to obtain a mortgage loan from an approved lender. CMHC participated very strongly in it. Despite all efforts, no loan was forthcoming nor were good reasons as to why one would not be made. Discussions at the time indicated that the approved lenders knew little about co-operatives and were not disposed in their direction.

Determining the Loan Amount

On July 10, 1968 an application was filed with CMHC for a loan under Section 40 of the Act. The total estimated cost of the project was $4,102,794 and the equity was calculated as $200,380, leaving a balance of $3,902,414 for a mortgage. The CMHC appraisal report was very favourable. The appraiser

realized that lending value based upon capitalization of return was not the most appropriate method, but for form it was calculated anyway. The capitalized lease-hold value of $4,168,842 was significantly less than the estimated reproduction cost of $4,789,110, but since the applicant's total cost estimate was less still at $4,102,798, this was used to determine the amount of the loan. Accordingly, a commitment letter was issued on August 13, 1968 for a loan amount of $3,692,514 plus a mortgage insurance fee of $73,851. The interest rate was 8 ¾% and the term 35 years. The commitment letter also noted that the estimated equity requirement was $1,096,596. If this amount is added to the loan less the mortgage insurance fee, it equals the estimated reproduction costs.

The co-op, however, did not know CMHC's cost estimates, and was not informed that the Corporation's estimated cost exceeded the co-operative's estimate by $686,316 or 16%.

On July 10, at the same meeting at which the co-operative had approved the loan application, it had hired Maguire and Associates to prepare tender documents. On September 12, two tenders were received, one from Collavino Bros., and Windsor firm, and one from Perini (Pacific) of Toronto. When put on a uniform basis, both bids were over $5,100,000 and Collavino was estimated to be $36,000 lower than Perini, according to Mr. Maguire's report. [24]

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[24] Cf. Maguire and Associates to Solidarity Towers Co-operative Limited, September 23, 1968.

The co-operative took the news quite well. There had been considerable debate over the merits of the building anyway, and following the reception of the bids, it was decided to proceed immediately with redesign of the building, primarily in order to achieve a lending value closer to the estimated cost. Partyka informed the co-operative that the way to increase the lending value was to increase the bedroom count. The co-operative's consultants, Paul Melin, of NLCC and John Jordan of Toronto, ahd for some time been urging the co-operative to redesign the building to obtain accommodation more suitable for families

The building was drastically redesigned as can be seen from the following summary.

TABLE 1

I. SUITE COUNT	A ORIGINAL BUILDING (APPRAISAL 8 AUGUST 1968)	B REVISED BUILDING (RE-APPRAISAL 17 APRIL 1969)
Bachelor	69	0
1-bedroom	158	98
2-bedroom	46	100
3-bedroom	25	102
II.AREA		
LFA - total	270,000 sq. ft.	276,000 sq. ft.
LFA - /unit	900 sq. ft.	920 sq. ft.

This design also greatly reduced the quality of the accommodation, at least in square footage terms. This can be seen immediately when it is realized that with the actual gross addition of only one unit, the bedroom count climbed from 229 to 604, a difference of 375 bedrooms, while the total livable floor area increased only 6,000 sq. ft. The height of the building was reduced from 31 to 26 storeys.

In November of 1968, the revised plans were submitted to the Corporation. Re-appraisal indicated a maximum loan of $4,243,764, and consequently, in a letter dated 17 December 1968, the co-operative's request for a loan increase to $4,100,000 was granted.

A long delay was subsequently encountered while various details were looked after. There was much inquiry and consultation within the Corporation during this time in order to determine the day by which construction must be commenced. Head Office proved very flexible and the co-operative was allowed to proceed at its own pace without any artificial restraints being imposed on it. The delay did, however, require an additional commitment letter and consequently a re-appraisal was carried out in April 1969 and a loan amount of $4,100,000 plus a mortgage insurance fee of $82,000 was confirmed. The following table summarizes the appraisals and loan amounts.

TABLE 2

	A ORIGINAL BUILDING (APPRAISAL 8 AUGUST 1968)	B REVISED BUILDING (RE-APPRAISAL 17 APRIL 1969)
CMHC Leasehold Value	$4,168,842	$4,604,600
CMHC Redproduction Estimate	4,789,110	4,780,000
CDAW Cost Estimate	4,102,794	4,620,000
CDAW Loan Request *	3,902,414 (based on 5% equity)	4,100,000
CMHC Loan Maximum*	3,751,958	4,144,140
CMHC Loan*	3,692,514	4,100,000

* mortgage insurance fee not included

Use of Consultants and Management of Project

In a communication dated 6 September 1968, Paul Melin commented, "When I arrived in Windsor the last time they had just put the project out to tender but were still arguing as to whether it should be built. I assumed that the bids would dissuade them more than I could, so it was left at that.... This is a typical example of what a volunteer committee without knowledgeable guidance produces and I have stressed... in a most emphatic manner the need for direct project management by competent people."

A shortage of experienced management characterized the project through the development and into the operational period. The co-operative was most unfortunate in their choice of solicitor and the engineer who inspected the construction of the project. An architect was employed only to do the revised design drawings. As to the co-operative itself, during the development period, staff was limited to the shared use of a part-time Labour Council secretary and the later addition of a person showing the model suite and processing applications.

Partyka guided the co-operative in matters of finances and development. Because of his experience in real estate development and his contacts with the Corporation, he was felt to be an indispensable resource. Partyka had of course a direct interest in the success of the venture but alleged belief in the co-operative approach as well. He had, however, little experience in working with democratic organizations and tended to be informal about information and explanation. This is the major reason why the co-operative did not develop a sounder

knowledge of the dynamics of development. This failing played a significant role in the ensuing difficulties of the project.

The Branch Manager of the Corporation felt that the inexperience of the co-operative was a major factor in the difficulties which they encountered. At the same time, he feels that they are sincere and would be willing to work with them on additional projects, especially if they improved their management skills.

The 80% Requirement

The alleged requirement of Section 7(8) of the Act that 80% of the residents of a co-operative must be members at the time of mortgage commitment or first advance had been mentioned by A.D. Wilson to Jim MacDonald in May 1968 as a basic requirement for a co-operative project. In terms of the actual processing of the loan, and of mortgage draws, the Corporation never enforced this requirement. In the spring of 1969, the loan division and the legal department of Head Office were requested to comment on the Letters Patent and By-Laws of the co-operative. The legal department, in response to a query of the Branch Office as to the appropriateness of the standard co-operative open membership by-law, reminded the Branch Office of the requirement of Section 7(8) of the Act. It was suggested that the co-operative amend its Letters Patent to explicity include the 80% requirement.[25] The co-operative was notified, and on 5 May 1969 supplementary Letters Patent were issued

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25 S.J. Parks, Solicitor, to D. Gulbraa, Loans Division, March 20, 1969.

containing such a provision. Once this had been done, the CMHC Manager took the position that it was up to the co-operative to supervise and ensure that this requirement was being met. He did not see it as a rule which applied to the period prior to occupancy of the project.[26]

Section 16 Loan

On 29 August 1969 George Burt, the President of CDAW, wrote to the Branch Manager of CMHC requesting that the loan for Solidarity Towers be changed to a Section 16 loan at 7 7/8% instead of 8-¾% rate, to enable the co-operative to make housing available to families with lower incomes. Burt's argument revolved largely around the assertion that the co-operative was a non-profit organization and as such entitled to Section 16 loans. On 9 September, Roy Sheppard, Director of Loan Division at Head Office, replied to R. Ballard's memorandum saying that, "The Corporation's reaction continues to be that so long as the co-op 'owner' puts up the equity in advance and is not restricted either as to income or level of payments, he is not different than anyone else who is housed in the open market and the loan should be made on the open market terms rather than on the favourable terms of Section 16."

Subsequent to the meeting of the National Labour Co-op Committee with the Minister in October 1969, a Windsor newspaper reported that the co-operative was investigating a second project and was intent upon using Section 16 funds from the Corporation. R. Ballard wrote to A.D. Wilson to ascertain whether or not funds were in fact available to a co-operative on a Section 16 basis . Wilson's reply dated 12 September 1969

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26 Interview by Dan Burns, July 1971.

states that the Corporation is committed to only one or two "experimental" projects which have not yet been identified and that co-operatives under Section 16 are certainly not an established program. The argument presented in the memorandum, however, is full of ambiguity and equivocation. The key sentence is as follows:

> "The Minister agreed at the meeting, however, that it would be in order for us to consider one or two projects to be built by co-operatives to be leased to members of the co-operatives who would be required to provide their appropriate share of the equity. In this sense such projects would vary substantially from rental housing under Section 16."

Wilson seems to take some pains to point out that this is a project which creates leasing as a form of tenure but which still varies from rental housing. In fact, it varies from it so significantly that it cannot really be thought of under Section 16. Yet there will be some experimentation. The tone was to discourage the possibility by a "no-maybe" response.

CMHC Solicitor's Fees

When the first draw was advanced by the Corporation, the co-operative was shocked when the CMHC solicitor announced to them that his fee would have to be paid prior to the release of the draw and that his fee amounted to more than $20,000. A very hard bargaining session evidently ensued during the course of which he agreed to reduce his fee somewhat. On 27 February 1970, the co-operative wrote to the Minister. The essence of their request is as follows:

> "We are requesting that consideration be given to this project with respect to our qualifications under the regulations. Obviously Mr. Meretsky established his rate under Section 40 of the Act which gave him unlimited latitude; we are asking that such legal fees should be established in the same manner as those set under Section 16 and set legal rates by CMHC."

The Minister replied in a brief letter saying that under Section 40 solicitors

> "have always been permitted to charge the local tariff. Since the loan to Solidarity Towers is a Section 40 loan, Mr. Meretsky, in accordance with his instruction, was entitled to charge the regular tariff, and it would be impossible at this time to require him to reduce his charges."

On 1 May 1970, George Burt wrote a strongly worded letter to the Minister saying forthrightly that Meretsky's charges were a "racket" and asking why his charges should not be related to his actual time since "he really does no more work on a $4½ million project than he does on $50,000 project."

The Corporation's General Solicitor sent the following memorandum to Mr. H.C. Linkletter together with a copy of a draft reply for the Minister.

> "I have not followed Mr. Wilson's suggestion that Mr. Burt should be advised as to the charges which could be made under the limited-dividend tariff. It is possible that Mr. Burt already knows the tariff. My main reason, however, is that I now feel that the tariff is ridiculously low and should be revised. For your information, the charges permitted under the L.D. tariff would be approximately $8,000."

The Minister sent a rather stern reply to Mr. Burt dated 19 May in which he noted that Meretsky was entitled to charge the local tariff but that his charges of $15,000 were approximately one-third less than the tariff. He suggested that there was nothing more he could do in this situation and advised that the matter be settled between the co-operative and Mr. Meretsky.

The Minister seemed unaware, and the co-operative does not appear to have informed him, that Meretsky's charges were $15,000 only as a result of hard bargaining by the co-operative.

Disposing of the Units and the Orientation Program

Solidarity Towers acquired a great deal of free publicity in both newspapers and on such media as the radio. The project is extremely well-known in Windsor, as was evident by requesting a cab driver to take us to Solidarity Towers; there was no need to give an address for the building. When queried, the driver reported that everybody in Windsor knew about Solidarity Towers and where it was. This free publicity, which was carefully sought, was the beginning of the campaign to dispose of the units in Solidarity Towers. Handbills were also passed around the automobile plant and other locations as well. This eventually built up to an open, large scale meeting at the Civic Auditorium in 1969. Approximately 600 people attended the meeting, and by the end of it somewhat over half the units had been spoken for. At this time the scale of commitment which had was required was fairly small. A $25.00 minimum deposit was required with the application form and within two weeks the initial down payment, ranging from $400 for a 1-bedroom to $500 for a 3-bedroom was to be deposited. The balance of the down

payment was due immediately prior to the time of occupancy of the unit.

It would seem that the initial down payments were not collected in the early stages with any regularity. There was a tremendous turnover of potential purchasers after initial applications had been made. The reason for this has not been determined. One of the DCAW Board members close to the project said that each of the units had really been filled twice.

A model suite was eventually opened at the site. The co-operative also began to employ someone on a full-time basis for the express purpose of selling the units. By the use of this approach the co-operative had approved applicants ready for all units as they were made available by the contractor. Little advertising was done and the units in general seem to have been disposed of quite efficiently.

In fact, the process had been too efficient. There is good reason to believe that many of the applicants did not have much idea of what they were really undertaking. The promotional literature would, intentionally or not, be misleading to many applicants. The brochure, for example. headlined Solidarity Towers as "a new concept in home ownership". And the text was totally inaccurate when it stated "each modern home suite is independently owned." The "Fact Sheet" refers several times to the "owner-resident", and states that "if an owner-resident decides to move out his down payment is returned plus whatever equity he had accummulated in his apartment." It also states that the "co-operative character of the building provides built-in rent controls." All of this added up to give a picture which was quite contrary to the facts, and even to the intentions of the co-operative.

From the survey,[27] few residents seemed under the illusion that they actually owned their individual unit, but a number had taken the "rent control" phrase quite seriously and throught the increase in monthly charges was at best a breach of trust and at worst an indication of foul play.

The failings of the literature and sales approach were not corrected by any orientation program. The only meetings held for prospective residents centred on explanations of co-operative tenure and other nuts-and-bolts items, such as occupancy dates and the services provided. With this background, it is not hard to see how an increase in rates would prove a most contentious issue.

Budgetary Difficulties

In the spring of 1971, Solidarity Towers discovered that they had a serious cash deficit. This resulted very simply from using an inadequate budget to establish the occupancy charges for the building. Taxes, electrical heating and staff costs were significantly above the budgeted amounts. The nature of the situation was made clear to the Board at a meeting on April 6th.[28] The auditor of the co-operative attended

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27 This survey, undertaken by the Task Force, was planned for a random sample by unit types of sixty units. Forty-five responses were obtained, fifteen from each unit type. The balance included thirteen not at home, two refusals, one due to a recent death in the family. The only group systematically underrepresented were single people. Thirteen of the interviews were completed in May 1971 by Judy Stevenson, and the balance in July by Dan Burns.

28 Judy Stevenson and John Jordan attended this meeting.

and explained that he also was the auditor for a number of trade unions, and as well, was on the Windsor Housing Authority and Board of Governors of Windsor University. After having established his credentials to give the co-operative a dressing down, he quite sternly explained the nature of their present predicament. The operating budget of the co-operative, he said, had been prepared on the basis of 1968 figures. These were obviously inadequate in 1971. According to their current budget and current expenditures, the co-operative by July 1 would have a $47,380 deficit. This is without providing for any reserve or contingency. He suggested that the deficit could be made up by either a flat capital level of $150 per unit plus an average rent increase of $17 per month, or a rent increase averaging $20 a month or more, which would wipe out the deficit over a period of three or four years. The auditor refused to discuss any proposals for cutting costs, increasing revenue, in an open meeting. The Board, in fact, refused to discuss strategy until a future closed meeting of the Board.

The auditor commented at one point that the lack of awareness of the problem within Solidarity Towers seemed to be the result in part of an ambiguous situation between CDAW and Solidarity Towers. It was said that Solidarity Towers only really obtained control over the bank account in February, 1971. It was clear that the manager who did receive monthly statements from the auditors either could not interpret them in a way which would be useful to the Board or residents or, more likely, simply did not understand them and made no efforts to remedy this deficiency. He made no comments on the statements at the Board meeting.

It would seem difficult, however, to lay all of the responsibility at the Board of Solidarity Towers or even with CDAW. It would seem that since the auditor had been continuously involved from the time his initial budget was prepared on 20 February 1969, that he certainly bore some responsibility for failure to revise budgets and rental structure prior to the opening of the building. The increases in heating costs and security may well have been beyond his prescience. But the substantial increase in municipal realty taxes should have been incorporated into the budget by the auditor. The CMHC re-appraisal done in mid-April 1969, or less than two months after the auditor's basic budget, used a tax figure of $144,700. The auditor had used a figure of $115,000 which had been supplied by the City in a letter to Partyka dated 12 July 1968.

Branch Office, however, was aware in the appraisal that their estimate of expenditures exceeded the co-operative's by at least $76,000. Yet they did not inform the co-operative of this fact. The Corporation's attitude that appraisals are strictly for internal information and should not be made available to loan applicants seems inappropriate in the case of a non-profit or co-operative project. In fact, it would be to the advantage of CMHC to bring to the attention of the co-operative or non-profit associations any large discrepancies between CMHC capital or operational estimates and those of the applicant.

Table 3 shows the CMHC appraisal budget, Solidarity Towers' initial budget, and the estimated actual expenses.

TABLE 3

SOLIDARITY TOWERS - WINDSOR

EXPENSE SCHEDULES

	CMHC (A) 17 April 69	CDAW (B) 20 Feb. 69	Difference (CMHC-CDAW)	ACTUAL (C)
Taxes	$144,700	$115,000	($29,700)	$132,492
Insurance	4,800	3,000	(1,800)	2,650
Operations	85,500	76,807	(8,693)	83,074
Maint. & Repair	24,000	14,200	(9,800)	30,800
Management	38,000	19,000	(19,000)	12,765
	$297,000	$228,007	($68,993)	$261,781
Land Rental	20,250	20,250	-	20,250
Mortgage	378,310	370,968	(7,342)	386,832
Total Expense	$695,560	$619,225	($76,335)	$668,863

NOTES:

(A) CMHC figures from re-appraisal report, 16 April 1969.

(B) CDAW figures from financial report by Arbour & Wellington, public accountants, 20 February 1969. This report contains a detailed breakdown of expenses. The aggregation presented above is the result of a judgement of the most appropriate CMHC categories for the various expenses. It may be, however, that the content of each category is not identical in the two columns.

(C) These are not true actual costs; they are the Arbour & Wellington projections to 31 July 1971, on the basis of 7 months actual expenditures to 28 February 1971. (An additional cause of variation is that budgets were drawn on a calendar year basis when the building in fact began operation in August 1970.)

The Board's handling of the situation was another indication of the approach which had dominated the development of the project. It entertained no discussion of the situation within the co-operative. Although a number of alternative solutions were possible, these were not tested informally or through meetings. Instead, a decision was made by the Board alone and communicated to the membership through a mimeographed letter. The increases included a $50 increase in equity contribution, a 15-30 percent increase in monthly charges, and mandatory renting of a parking space whether or not the member had a car. Naturally, this provoked a great deal of anger and resentment. Residents had generally not understood at all the financial statements which had been distributed. The statement made no concessions to the fact that its readers would be laymen. The Manager, when asked about this, said if people didn't understand it, "they should get a chartered accountant to explain it to them".[29] The letter informing residents of the increases simply stated that the co-operative had lost $40,000 in the previous year and was continuing to lose $5,000 per month. The lack of explanation only added to the doubts of many residents.

Gradually, the residents of the building organized to take some action. Most eventually believed that the increases were necessary. But they still objected vociferously to the manner in which they had been introduced on the grounds that the budget charges should have been foreseen and should have been discussed prior to decision. Their first move, quite significantly, was a 193-name petition to the Corporation

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29 Paul Fitch to Judy Stevenson.

asking its intervention. (Head Office counselled the Branch to stay out of it.) Eventually, another petition forced a general meeting at which the manager was given 90 days notice and the Board, and particularly its CDAW members, were thoroughly castigated. More recently, all of the resident board members were replaced by a reform slate.

The new Board has hired a high grade superintendent rather than a manager (a misleading title in the previous instance in any case) and has decided to assume the responsibility of actual management itself. This would be similar to the manner in which Willow Park operated for its first several years.

The most worrisome effect of the manner in which rates were increased is that over 30 residents (more than ten percent) have given their notice of intent to vacate. Although most have said that they simply cannot afford the higher rates, this would not seem to be the real reason in upwards of half the instances. Those who have given notice have a mean income of $9,000 as against an overall mean of $9,600. But the interviews revealed that most were leaving because they had lost confidence in the management of the co-operative.

In the present Windsor housing market and with the present furor having dulled the original patina of a new citizen venture, the units could be difficult to fill.

Conclusion

There are important lessons to be learned from this experience. It is not yet clear whether the opportunity will be accepted.

First, co-operative proponents must be clear about the nature of their proposed project. In this instance, the prestige location (and the memory of the Partyka's proposed project) were parlayed into a characterization of the project as a whole. The Solidarity Towers letterhead carries the banner "Prestige on the Drive". There is no doubt that prestige co-operatives can be created, but they usually have little resident involvement and are operated by professional property management firms. This project was much more grass roots in its approach but the location and language used in literature attracted some whose basic interest was in a prestige building. The ambiguity ensured confusion. Secondly, the co-operative ranked loyalty higher than competence in arranging for the management of the project. The manager had no previous property management experience, nor experience in any field which could reasonably have been expected to qualify him for his position on this project. He did, however have some experience in union affairs. Both Solidarity Towers and CDAW have yet to take a sufficient hard look at this aspect of their operations.

Thirdly, residents were not at all involved in the affairs of the project until it opened and a general meeting was held to elect a board. Immediately, nominal control was capulted into the hands of a small group with no experience of co-operatives or of managment, and with no knowledge of the history or current situation of the co-operative. There was in addition considerable ambiguity as to the responsibilities of CDAW and Solidarity Towers at this point. CDAW should have been gradually involving members in the affairs of the co-operative throughout the development period so that an

informed body would have been available to assume control.

Fourthly, CDAW's interest in retaining some hold on the project created a dynamic which was at first simply unhelpful, but became positively detrimental. The continuing presence of CDAW delegates on the Board was a bone of contention from the outset. It was clear to both CDAW and the residents that CDAW directors were there basically as an instrument of control to ensure that the project remained integrated into the wider network of co-operative housing. It may in fact have been necessary to take measures of this sort since no orientation or education program had been established to internalize the reasons why this was deemed appropriate. But if CDAW members had played a more positive role in assisting the Board to become familiar with the affairs of the co-operative and to be increasingly able to manage it, then it is much less likely that their presence would have been resented. Instead, and not without reason, they became obvious targets when financial difficulties arose.

2. Barclay Co-operative Housing Association, Port Alberni, B.C.

Western Co-operative Housing Society was formed in Nanaimo, British Columbia for the purpose of acting as a sponsor and development organization for co-operative housing projects throughout the province of British Columbia. Its first project was located in Port Alberni and others, in varying stages of planning, were located in Abbotsford, Nanaimo, Vancouver and other centres. The manager of Western was Rick English.

In 1967, active work was commenced toward organizing a co-operative in Port Alberni. Plans were drawn up by a Winnipeg architect for a site which was to be purchased by the Co-operative from the City. Western decided to act as its own contractor for the project, and the application made to the Corporation for a direct loan contained a detailed estimate of the projected construction cost.

The site was a 5½-acre tract which would allow seventy-eight row housing units. It was extremely well located, being close to schools, shops and recreational facilities. Adjacent to it was the Port Alberni senior citizens project and nearby was the new Civic Centre. It was planned to develop the project in probably three phases.

The first phase was to consist of 24 units, 6 two-bedroom, 15 three-bedroom, and 3 four-bedroom.

In the spring of 1968, applications and deposits were in hand from twenty members. A number of other families were members of the co-operative but had not yet committed themselves for the few remaining units.

A loan application was submitted by the Co-operative in April 1968 and it was processed by the Victoria Branch Office in the following month. On 10 July 1968 a commitment was given to the Co-operative for a mortgage loan of $369,053, which was the amount the Co-operative had applied for. The mortgage insurance fee was in addition to this.

Members were allowed to contribute to the labour required to construct their own house. The saving was to be

reflected in the final cash required as the equity contribution for the project. Construction proceeded well during the fall of 1968, but was appreciably slowed by the hard winter. By spring, approximately eighty percent of the units were ready for occupancy. Just at this point, there began to be indications that the project might be seriously over-budget. In April 1969, the British Columbia Central Credit Union carried out an audit of the project. The audit showed the project to be about $170,000 over budget. On April 25, the Central Credit Union stopped advancing funds and when the first payment on their second mortgage came due on 1 June and was not paid, the Central Credit Union foreclosed on the mortgage. This series of events, put both Barclay and Western into effective bankruptcy. The Corporation sat quietly by. As the Branch Manager summed it up, "Actually, we are in a fairly good position as B.C. Central, having the second mortgage, have to do all the foreclosing and solve all the problems."[30]

At least 16 liens were registered against the project, totalling $145,000. There were, in addition, of course, numerous unsecured creditors. The foreclosure action by the B.C. Central Credit Union came before a judge on 4 July 1969. He provided for a redemption date in January 1970, thus allowing for the six-month period which is customary in British Columbia. Consequently, little happened during the balance of 1969. The thirteen families which were in occupancy remained in occupancy, although they ceased to pay any rent. The complications of the project caused further delays and title was not finally granted to the B.C. Central Credit Union until May of 1970. After extensive discussions with the Corporation, the Central Credit

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[30] C.J. Dowling, Manager, Victoria, B.C. to R.W. Ford, H.O. 24 July, 1969.

Union decided to complete the construction of the units, and convert them to strata title ownership for private sale. The 13 continuing occupants were given an opportunity to purchase their own unit at the same price they were being offered publicly. There were no takers. The Corporation refused to increase the amount of the loan and closed it out at the original loan amount after advancing the balance available upon completion of construction. The Corporation was concerned that especially in view of the reputation of the project, the units would be very difficult to market at the prices being requested by the Credit Union. This seems to have been a sound judgement since only five units had actually been sold by June 1971.[31]

The real issue in this project is, of course, why the Co-operative went bankrupt. The actual situation has not been easy to unravel, especially at long distance.

The first factor would seem to be the design of the units. The architect for the project was the Winnipeg firm of Green, Blankstein, Russell and Associates. This was the firm which had designed the Willow Park project. Unfortunately, they were not experienced in Pacific Coast architecture and, as a result, over-estimated the climatic requirements of the units. In short, they designed units for Port Alberni which would have withstood a Winnipeg winter. This, of course, increased the cost of the units comparable to others on the market. In addition, it was claimed that many of the details of the project were unconventional in British Columbia.

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[31] A.E. Revie, Vancouver, B.C. to Supervisor, Mortgage Dept., H.O., 5 April 1971, 4 May 1971, 3 June 1971.

Secondly, the winter was unusually severe. This increased the time required to complete the units.

The major reason, however, seems to have been inadequate management and cost control. The actual bookkeeping for the project was not actually carried out by Western and as a result the statements were always six to eight weeks behind actual events. This, of course was grossly ineffective information for maintaining accurate control of costs.

During their relatively brief life, however, Western Co-operative Housing Society, had some genuine achievements to their credit. For one thing, they convinced the City of Vancouver to make a plot of land available for co-operative development. They also began the work of convincing the provincial government to allow residents of co-operative projects to receive both the home owner grant. It was planned that residents of this project would have qualified for this assistance.

The demise of Western and the Port Alberni project put co-operative housing in a very unenviable position in British Columbia. Labour and co-operative groups which were reticent about encouraging co-operative housing, now had a perfect rationale. In this situation it is quite surprising that either of the two successive co-operative projects in British Columbia ever got off the ground.

3. Hamilton and District Labour Council Accommodation Incorporated

This project was initiated in spring 1968 by the Labour Council and led by the United Steelworkers of America. It never

began construction and seemed to collapse of its own weight. Although the plans first submitted to the Corporation were labelled "Proposed Co-operative Housing Development" and although at various times there was talk of eventually converting the project into a co-operative, it in point of fact was a traditional limited dividend project by a non-profit sponsor.[32]

The first application for this project was submitted in December 1968, although discussions had been underway since the previous spring. The application requested a Section 15(16) loan for 220 units, comprising 150 two-bedroom apartments, 30 three-bedroom apartments, 25 four-bedroom row houses, and 15 five-bedroom row houses. A loan of $2,982,700 was requested. A CMHC loan commitment of $2,500,000 was made on the basis of the lending value. The Labour Council could not of course make up a half-million dollar short fall and so the project did not go forward at this time.

The story of the next year and a half is of a search for various ways to bring the cost and the loan commitment into an equation. The central means used was political influence through the Hon. John Munro, Minister of Health and Welfare and member for Hamilton East. The contact with Mr. Munro was the Labour Council consultant, president of an engineering firm designing the project, and inevitably responsible for project management. The consultant himself thinks his relation with Mr. Munro played a not insignificant role in his firm being

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32 CUC, especially in the person of Dr. A.F. Laidlaw, had long been encouraging activity in this sphere; United Co-operative of Ontario had in the mid-sixties, undertaken a series of 11-unit projects in smaller towns for senior citizens. See Working Draft, pp. 83-87 for a review.

commissioned.[33]

The consultant was not provided with any sort of program by the Labour Council. The physical and functional design of the project seems to reflect entirely the consultant's perspective. This is important because the design of the project was a major reason for the difficulties it encountered, both in cost and approvals. The four-bedroom units for example were about 2,000 square feet and the five bedroom units were still larger. With standards of this nature it is not difficult to see that budgets were overreached. In addition, despite repeated critiques and requests for adjustment by Corporation architects, the plans still were in serious contravention of Corporation standards. The Corporation seems to have acted reasonably because an OHC evaluation of the project repeats most of the same criticism (cramped site planning, insufficient amenity space, awkward unit layouts, etc.).[34]

The attempt to receive a greater loan commitment began with a brief to the Hellyer Task Force written by the consultant on behalf of the Labour Council (13 Feb. 1969). Political intervention succeeded in a re-appraisal and loan increase of $208,000 in April 1969.

This however was not sufficient and with the encouragement of Mr. Munro, the Minister met with the Labour Council officials and agreed to meet them half-way by increasing the loan amount by $150,000. On 17 September 1969, the Executive

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33 Interview by David Peters.

34 Cf. OHC architectural evaluation, 16 October 1970.

Committee approved this new loan amount of $2,850,000.

In February 1970, the proponents were back at Head Office suggesting that, even with free municipal land, the cost had now risen to $3,350,000. The reappraisal noted that "we do not consider our review as an appraisal but as a manipulation of figures...". A maximum increase to $2,954,000 was established. In April 1970, the Minister informed Mr. Munro that an increased loan of $3,135,000 would be made, although he was not pleased with it. By the time this reached the Executive Committee on 4 August 1970 it had become $3,213,000 by Ministerial agreement.

There followed a series of requests for extensions which were granted by the Corporation without question. Finally, in June 1971, the commitment was cancelled since construction had not commenced "due to problems of proponents which could not be resolved".

In addition to the planning problems whose correction was required prior to final commitment, the unresolvable problems came down to building the project within budget with union labour. Evidently this point had never been accepted by the Labour Council as a whole even though its Steelworker leadership was willing to use some non-union labour if necessary to get an acceptable contract.

The difficulties encountered by this project reinforce the lesson taught by Windsor: co-operatives cannot afford to rely on consultants for all the development knowledge. The co-operative must acquire enough knowledge of the ground rules to be able to direct and control professionals and consultants.

The price of ignorance in this case was over $70,000. The ramifications have extended beyond Hamilton; Steelworkers in other areas have been made very cautious about action in housing.

4. Abbotsford Co-operative Housing Association

The initial organizing for this project was undertaken in 1968. The Association was incorporated on 6 December 1968.

Assistance in organizing the project and in planning the development was provided by the Western Co-operative Housing Society. A contract was signed between the Abbotsford Co-operative and Western providing for Western to actually carry out the planning and construction of the units. All that Western was able to accomplish prior to its bankruptcy was the initial site planning and preparation of the mortgage application.

The local organizing was done by W.E. Taylor, the Manager of the Abbotsford Credit Union, and Glenn Haddrell, the Assistant Manager. Publicity was chiefly through the Credit Union newsletter and personal contact. By the time of the mortgage loan application in February 1969, 25 members had been signed up and had filled out CMHC 70's.

The application for a mortgage loan was submitted on 24 February 1969. It was processed by the Vancouver office in the following month. The loan requested was in the amount of $453,670, not including the mortgage insurance fee. The CMHC appraisal, however, indicated a total lending value of $421,700. This amount, however, did not include the cost of stoves, refrigerators, washers and dryers, which the co-operative

had included in their budget and which amounted to $32,000. When this figure is added to the Corporation lending value, it becomes clear that the co-operative and Corporation estimates are only a few dollars apart.

A policy question arose as to the inclusion of the appliances. The Branch Manager suggested that since this was a continuing co-operative and did not involve individual titles, "The project bears a close resemblance to a rental project. Therefore, it is recommended that we consider the appliances, etc., mentioned in the above paragraph in the valuation and in this way we can consider the full amount of loan requested."[35] Head Office considered the request and turned it down: "Since homeownership is the predominant principle, in row housing form, the loan provided cannot include the cost of the free standing appliances."[36]

The actual loan was to come out of the Region's allotment for home ownership mortgage loans. It seems however, that once again the physical form of the housing (row housing) was becoming confounded with the nature of tenure. Once again, the Corporation had to choose as to whether a co-operative project was home ownership or rental. The logic of each position, with respect to the question of appliances, is apparent.

When Western went into bankruptcy in the late spring of 1969, Abbotsford had already paid then $5,000 for services which had not been fully performed. Nonetheless, Abbotsford

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35 Branch Appraiser to Vancouver Branch Manager, March 17, 1969; and W.D. Iverach, Asst. Manager, Vancouver to Director, Loans Division, 18 March 1969.

36 R.W. Ford, Assistant Director, Loans Division to Assistant Manager, Vancouver, B.C., 21 March 1969.

decided to act as their own general contractor and called for tenders on the various aspects of the project. Glenn Haddrell, the President of the Co-operative, assumed the burden of project direction. The Credit Union provided interim financing.

Construction went forward on this basis and was completed very close to budget by the end of 1969.

In the course of developing this project, the co-operative also carried out the final negotiations with the provincial government in order to make co-operative residents eligible for the home owner acquisition grant and annual home owner grants. The financial stability with which this project was carried forward did much to overcome the stigma which had been attached to co-operative since the demise of the Port Alberni project.

5. Co-operative Residences (Saskatchewan), Limited: Walsh Housing Co-operative Association, Limited, Regina

Background

Co-operative Residences (Saskatchewan) Limited was formed by the co-operative movement in Saskatchewan acting through the Co-operative Development Association of Saskatchewan. The organization came into being in the mid 1960's and its initial sphere of activity was in the area of student housing. The board of CRSL was drawn from the major co-operatives in the province as well as a few members from the student projects. The Board, in the description of Mr. J.F. Midmore was "Oriented to finance and control." J.F. Midmore was seconded to the organization from the Development Association where he acted as the Secretary/Manager.

The Walsh Housing Co-operative Association Limited

Midmore anticipated that the changes made in Section 15(16) of the Act in 1969 would enable co-operatives to be eligible borrowers. He acted accordingly, and began to organize a project in Regina. Land was obtained from the City in a new sub-division which had formerly been the Walsh Estate. The Walsh Housing Co-operative Association, Limited was incorporated on 30 July 1969.

One week later an application for a Section 16 mortgage loan on 58 units was submitted to the Corporation. This was to be the first stage of a project that would eventually comprise 229 units.

It is particularly the request for Section 15(16) financing that we will examine in the instance of this project.

On August 15, a meeting was held at the Branch Office in the course of which the Branch Manager became aware that the equity for the project would be put up by the tenants of the project over a period of some years. He found this somewhat disturbing and requested the advice of Head Office. The initial Head Office reaction was very straightforward, "This is a repeat request by Midmore and Mr. Wilson had repeatedly told him tenants are tenants; no part owners under Section 16." Clearly the Director of the Loans Division did not regard the Act as having changed the situation of housing co-operatives with respect to limited-dividend financing.

On August 27, 1969 Mr. Midmore visited Ottawa and a meeting was arranged at Head Office with senior loan officials

of the Corporation. At the meeting, the Corporation, particularly in the person of Mr. Wilson indicated a much more flexible attitude toward this potential project. It was agreed in principle that a loan might be made under Section 15(16) with the residents not paying any substantial equity portion upon occupancy. Instead this would be financed by the Co-operative and repaid by the resident of the unit under what was termed a "forced savings plan". In the following month, the co-operative suggested a number of ways in which this might be carried out. Somewhat later in the Fall it appeared that the project might revert to a straight Section 15(16) project, much in the manner of the Hamilton proposal. At this point A.D. Wilson wrote to Mr. Midmore as follows:

> "I was a little disappointed to learn from your letter of October 28, that the project you are considering for Regina will now likely evolve as a straight low rental Section 16 project. Let me say immediately however, that I am very glad indeed that the co-operative is prepared to sponsor this type of project.
>
> We are still prepared to attempt to work our ways and means of adapting the Section 16 projects so that the original low income tenants may, as their circumstances improve, develop an equity and ultimately move into an economic rental position without having to abandon the housing unit and the relationship they will have created with the other members of the co-operative sponsor who are their immediate community. We have not yet done such a project but it was quite incorrect for our local office to advise you that any proposed system of sur-charges is not possible. We are hopefully prepared to take a much more positive attitude and by keeping all possibilities open may achieve some break-through."

(We might recall that one week earlier, Mr. Wilson had attended a meeting between the National Labour Co-operative Committee and the Minister, at which the Minister had agreed to finance a few co-operative projects under Section 15(16) on an experimental basis.)

As the Fall wore on, the prospects for the project became less and less bright. This was due to two factors. First of all, the project was not a low-cost project. The Branch Appraiser was having great difficulty in justifying the amount of the loan requested by the co-operative. He was extremely reluctant to establish a Section 15(16) mortgage loan on a cost basis because it would establish a precedent. On the other hand, the income approach did not provide a sufficiently high lending value. From the material available it is not possible to determine whether or not this difficulty was a result of the appraiser using economic rather than market rents for the project. It would be impossible, of course, to obtain an adequate appraisal of a co-operative project if the lending value were to be determined by an income approach based on economic rents.

At the same time that the Corporation was attempting to justify a sufficiently large loan for the project, the Regina market was softening and a much more economical Section 15(16) proposal was submitted. The discussions of Section 15(16) financing for the co-operative project began to look more and more academic.

In the course of the further discussions concerning a loan for the project, we meet the only unequivocal statement by the Corporation that indeed the Minister had agreed to make

Section 15(16) loans available to co-operatives on an experimental basis and with the resident of the unit supplying the full equity for it.

> "The Minister had indicated to the National Labour Co-operative Organization that he would be prepared to approve a loan under Section 16 to a co-operative even though the latter requires the provision of full equity from the tenant as a condition to entry."[37]

Since Section 15(16) funds were fully committed for the year, no further action was taken on the project.

In January 1970 a memorandum was prepared for the President to submit to the Minister to obtain his concurrence to the making of a Section 15(16) loan to the Regina project. The tone of the memorandum is such as to imply that there was no connection between this project and the program of the National Labour Co-operative Committee.

The Minister agreed to proceed with this loan "provided that this does not in any way preclude the NLCC proposals."

The Co-operative was advised accordingly that the Corporation would be prepared to proceed with the loan if market conditions in Regina would show it to be viable. An attempt was made to pre-sell units but there was little response through the spring of 1970 and so the project was cancelled.

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37 A.D. Wilson to R.E. Sheppard, December 9, 1969.

The charter of Walsh Housing Co-operative was surrendered.[38]

6. Conclusion

At the end of 1969 no general conclusion could be drawn about co-operative development or Corporation policy. Windsor was going well enough; Port Alberni was clearly down and out, and Western with it; Abbotsford had carried through and restored some confidence in housing co-operatives; Hamilton was having real difficulty in keeping their project within budget.

All the Corporation loans had been market interest rate, with the exception of Hamilton which was a conventional limited dividend project and not a co-operative. Nonetheless, some ill-defined areas of Corporation policy had become apparent: the home ownership-rental question; the 80% requirement; loans to housing co-operatives under Section 15(16); the nature of information to be provided to the co-operative by the Corporation.

On the co-operative side, it was becoming apparent that intense involvement in the affairs of the project by a level-headed group, whose primary commitment was the co-operative, was a key element in establishing a viable operation. To be successful, a co-operative had to achieve basic familiarity with the development process.

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38 Interview with J.F. Midmore, 1 October 1971.

D. The 1970 Projects

In 1969 NLCC had continued to press for access to Section 15(16) loans. It was the impression of co-operative proponents who attended a meeting with the Minister, now Robert Andras, and senior management of the Corporation, that a significant step forward was taken. The Minister agreed that a few loans would be made, on an experimental basis. As we have seen this was acknowledged within the Corporation.

Even though NCLL did not have a full time housing organizer during 1969, Jim MacDonald kept in frequent contact with the groups who were actively engaged in considering a project.

NLCC reported the Minister's commitment to various co-operatives. The announcement of the $200 million Innovative Program in early 1970 seems to have changed the perspective of the Corporation on the situation.

The fact that a number of co-operative projects, all multi-unit urban project, were being considered within a few months, and under a single program, provided both opportunity and encouragement for the development of consistent policy. The major consistency seems to have been a concern to see co-operative projects serve the Special Program target population. Since this was a lower income group than the co-operatives had had reason to believe they could reach, this meant that the co-operative's and the Corporation's programs were not congruent.

The number of projects also provides us with an opportunity to assess some issues in co-operative approaches to development.

1. The Co-operative Housing Association of Calgary Sarcee Project

Beginnings

Co-operative housing in Calgary owes its beginnings to the concern of the Calgary Buildings Trades Council who, in 1967, struck a committee to investigate the housing situation. This committee met many times to investigate housing needs and means of meeting them. They even looked into conventional limited-dividend projects, but decided against taking this route because they did not want to become involved as landlords. Through contact with Jim MacDonald of NLCC, they decided to organize a co-operative housing project. The target population for this project was to be families with incomes falling between public housing eligibility requirements and market mortgage requirements.

A public meeting was held which elected a 9-man Board, composed predominantly of people with strong allegiances to co-operative and labour organizations. CHAC was incorporated on 27 August 1968, approximately 6 months after it had been founded.

The major direction of the project has come from Dave Graham and John Donnachie. Dave Graham was president of the Calgary Buildings Trades Council at the time the housing committee was organized. He is presenlty Business Manager of Calgary Local 1111 of the International Labourers' Union. He is very active as a labour representative in a number of other organizations in Calgary. For example, he is first Vice-President of the Alberta Federation of Labour, member of the Board of

Governors of the University of Calgary, member of the Advisory Council of the Banff School of Fine Arts and member of the Board of Directors of the United Fund of Calgary. Dr. John Donnachie is an optometrist well known in Calgary for his interest in a wide variety of public issues. Among other matters, he has been very active in the Social Planning Council and the Liberal Party.

After CHAC had been incorporated, labour union support continued. Local unions were canvassed for donations to enable the Association to pay its expenses. A significant number of donations in the range of $100 were received. Many of these were from building trade unions. Donations were also received from co-operative organizations including credit unions.

Obtaining the Land

In early 1968, the Co-op became interested in the Sarcee Village land. This 35-acre site was owned by the City which was planning to develop it, in part, as public housing. There was, however, intense opposition from the surrounding area to this notion. Accordingly, the Co-op appeared in 1968 before the City Housing Committee. Malkin, the architect, introduced a model of the proposed development and the Co-operative explained the nature of co-operative housing and what it would do for the area and for Calgary. The City's major question was, "When can you start?" The Co-op's response ---"September"---was not good enough for the City.

After this set-back, the Co-op looked for land in other areas. For some time an option was acquire on a site in Forest Lawn, but when it became clear that they would be

responsible for excessive costs of providing sewage services, the Co-operative dropped this option.

We are now into the beginning of 1969. During this period CHAC received a great deal of free publicity -- newspaper stories and radio and TV coverage. On this basis they built up a membership of over 300 families. With this indication of public support for the project they informally approached the City. The City, however, said that a bare list of names hardly guaranteed a commitment. It was also becoming quite clear that the Sarcee land would not be developed by the City for public housing and that alternative uses were being sought. The Co-op approached its members for deposits to be kept in a trust fund, from which no deductions could be made but with the interest accruing to the benefit and use of CHAC. Deposits varied greatly; according to Donnachie, they ran the spectrum from $25 to the full downpayment for a unit. Deposits began to come in in August 1969 with a commitment that they would be left in until 1 December 1969. A total of over $180,000 was raised in this fashion. With this backing the City was approached again and in February 1970 agreed to sell the Sarcee Village site to the Co-op.

The agreement with the City provided for the Co-op to purchase 35 acres at $11,000 per acre, with CHAC also paying for normal improvements and services. In addition, there was a condition that 10% of the units would be made available to the City for public housing use, with the City putting up the downpayment and, of course, being responsible for the monthly charges. The units and families involved would not be identified within the project. Donnachie says that the City has not mentioned this matter since the approval of the agreement in February 1970

and he has certainly not raised it! When questioned, he said that his only reason against it was the administrative complexity it would entail. Dave Graham says that the City never followed through on this idea and that it was not incorporated in the agreement between the City and CHAC. He considers it a dead issue, especially since in the interim the City has launched a major public housing development program. Neither was enthusiastic about the inclusion of public housing residents.

Assistance: Professional and Otherwise

Melvyn Malkin, architect, became involved through the mediation and upon the recommendation of Paul Melin of Saskatoon, who at that time was the NLCC national organizer. Malkin, whose office is in Saskatoon, agreed to do the preliminary designs quickly and for no fee unless the project proceeded. He even paid for his own considerable travelling expenses between Saskatchewan and Calgary. CHAC seems generally satisfied with his performance, except that distance has posed a few communication problems.

The correspondence makes it abundantly clear that the Co-op has relied on Malkin for very extensive assistance. His work has far exceeded the normal role of an architect. It has included budget preparation, financial negotiations with CMHC, contract co-ordination and the timing and content of publicity and efforts to sell units. For all practical purposes, he has been acting as a project director.

The only other assistance the Co-op has been receiving is from the Co-op Centre Credit Union Limited, which is under contract to supply administrative services comprising bookkeeping and the processing of applications for units. Bill Goldstone is now looking after this. Upon completion of the project, the Credit Union will open a branch in it, located in a small building which will also contain meeting facilities. The capital

financing for this building is being provided by a loan from the credit union central, the Credit Union Federation of Alberta. The Credit Union will be supplying on-going property management services to the co-operative.

CHAC had decided that this would be a project built with union labour. This limited their range of contractors and ruled out the normal residential builders. Given the nature of the project, and the fact that through this project, unionized construction would be introduced into the Calgary residential field, CHAC through Dave Graham was able to convince the Building Trades Council that a no-strike agreement would be an appropriate response if the contractor would agree that he and his sub-contractors would agree to no lock-outs. Hashman Construction gave the no lock-out covenant and the deal was on. In the agreement the Building Trades Council "Acknowledges that it is in the best interest of its union local members and of the membership in general of such union locals, that the project is undertaken and completed." Dave Graham has noted that the co-operative spent a considerable amount of time keeping the Building Trades fully informed on this project. It still took considerable amount of effort for the agreement to be worked out with the large number of unions involved.

Donnachie attempted to get the Co-op solicitor appointed as the CMHC solicitor, and the local branch office sent his name up to Ottawa. Head Office, however, replied that the firm had just been appointed for a different low cost housing project. Donnachie had been a regional Vice President for the Liberal Party and therefore, he says, "knew how the system worked". He then went for Walsh of Harkness & Walsh. Harkness had assisted the Co-op in negotiations around the construction

agreement. Harkness' father is a Federal M.P., and Walsh, according to Donnachie, is the number two local bag-man for the Liberal Party. Walsh, he says, was duly appointed by the Corporation.

The Sarcee Project: Basic Information

The project comprises 380 row housing units of 4 types, ranging in size from 2 to 4 bedrooms. It is located in a fully developed residential area of primarily single family homes. It is in close proximity to six schools and two shopping centres. All of the units contain full basements and are generous in size, density and quality. In fact, CMHC stated that "unit types and sizes are most prestigious."[39]

Particulars are as follows:

Unit Type	# of Units	Sq. Ft.	Total Cost	CMHC Mortgage	Equity	Monthly Charge	Income Range
2-bdrm	56	992	14,906	14,201	705	147-157	5500-8500
3-bdrm	49	1122	16,956	16,120	836	161-172	6000-8500
3-bdrm -- large	191	1205	18,018	17,079	939	170-181	6400-8500
4-bdrm	84	1326	19,385	18,279	1106	181-193	6800-8500

Capital Cost:

Land	390,000
Servicing	678,855
Fees & Charges	259,644
Bldg. & Site Work	5,402,319
	6,730,818

Source of Capital Funds:

CMHC Mortgage	6,382,594
Member equity	352,697
	6,735,291

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39 Black to R. Ford, 30 July, 1970; see also M. Ségouin to H. Hignett, 7 May 1971.

Construction was begun on November 1970 and is scheduled to be completed in November 1971. The first units were occupied on 1 August 1971 with the balance to become available in the next three months.

Authorization for the project plan was via municipal direct control and so no site plan by-law was necessary. The major municipal constraint was on density and the Co-op had no difficulty in accepting this limit.

CMHC Mortgage and Agreement

The City agreed to sell the land to the Co-op in February 1970, the same month in which the Minister announced the special $200 Million Innovation Program. This coincidence of events was to produce a crisis for the co-operative.

The co-operative was anxious to build the entire project at once because they did not know how they would be able to finance the balance of the land in the case of a phased project. Head Office was telling Jim MacDonald that a direct loan for the entire project was out of the question, unless there were only a few co-operative applications from elsewhere.

The membership of the co-operative, according to Malkin's analysis of his questionnaires, was young, demanded larger units than a "hard" analysis would justify, and had average incomes of approximately $8,000 a year. This was not the low income target population of the $200 million special program. According to the Minister's announcement, this program was aimed at families in the $4,000 to $6,000 income range. The Calgary

group, however, in terms of incomes, would have been a reasonable population for a Section 15(16) loan, but the Corporation Head Office was shunting co-operatives away from Section 15(16) at this time, despite the agreement of the Minister in October 1969 to fund a few co-operative projects on an experimental basis. Then too, we must remember that no hard information on the $200 Million program was available, especially to co-operatives and non-profit groups, and MacDonald certainly had no sense that it involved limits and conditions very different from Section 15(16). Consequently, he pushed for a loan from where he thought the money was--- the $200 million.

CMHC branch and Head Office saw a substantial problem here. Branch office wrote to Head Office on 30 July 1970 stating that, "Serious complications have now arisen which must be resolved before any further progress can be made with this proposal." The letter reports an analysis of family size and incomes of 133 typical co-operative members. It notes that only fifty percent of the members have an income of less than $7,500 per year, and twenty-five percent have incomes in excess of $9,000. "We question the use of a subsidized interest rate for those families who would not normally qualify for any form of subsidized housing, (i.e. L.D. accommodation)." It also points out that when monthly charges related to income was brought up at a co-operative meeting, "Several members in the higher income levels resigned their memberships." CMHC, then, clearly understood the nature of the co-operative and the problem a loan from the $200 Million Program would occasion. The co-operative too, must have had some sense of the difficulty, though Jim MacDonald who was negotiatiating on their behalf in Ottawa, probably had much less sense of the problem. MacDonald gave people in Calgary the constant impression that the necessary or desired policy exemptions would be made by the Corporation.

After the Minister's office took an interest in the project, it was approved in principle by CMHC under the $200 Million Program. Detailed negotiations with the Co-operative took another 7 weeks. On 23 September 1970, Calgary branch office was able to wire Ottawa that:

> "Re Co-operative Assoc. prepared to proceed with loan on following basis. Income range to be established on each type of unit. To establish income monthly income will consist of principle interest and taxes and management charge of $12.00. Low range of income will require payments of thirty percent of income. Upper limit will be $500.00 higher (-- approximately). Each type of unit will be allowed fifteen percent of the purchaser's over ceiling income for unit, monthly payment for fifteen percent will be based on nine and a half percent interest.
>
> 2 bedroom 5390-5900
> 3 bedroom two types 5940 and 6240 ingoing 6600 for outgoing for both units.
> 4 bedroom 6640-7100
>
> -- Recommend loan of $6,382,594.00 including mortgage insurance fee." (Bond to Ford)

The other basic elements of the agreement were also spelled out and additional figures on per unit cost were supplied to Head Office in a telex the following day. On 25 September 1970 Head Office wrote to branch office giving a basic draft letter of agreement between the Corporation and the Co-operative.

There are several issues here, particularly in the area of the operating budget and rental rates used which will be subject to later discussion.

Income Limits

The Co-operative had never before worked with matters such as the appropriate percentage of income to be devoted to housing cost, and therefore really had little idea of the implications. The real problem, which quickly became apparent to the membership, was not the minimum entry incomes, but the upper income limit, which was only $500 a year higher than the minimum in each category. That is, only $10 per week, or 25¢ an hour! And for the larger 3-bedroom units (Unit Type 3A) which comprised just over one half of the units in the project, the maximum allowable increase in annual income was only $360! Families whose incomes exceeded this amount would not be forced out of the project. Rather, once the upper income limit was passed, the monthly charge ceased to be based on a mortgage at 7 7/8% for forty years. This meant increases in monthly charges of from $22 - $30 a month, depending on unit size. This was far more punitive than public housing. Between housing cost and income tax, most families would actually find that an increase in income would cost them money.

At the maximum income allowed at the 7 7/8 percent rate, a family would still be paying 26.9 percent to 28.3 percent of its income for basic shelter cost. This is without heating or utilities. If the family income rose over the limit by as little as $100 per year, then the monthly charge would be based on 9½% over thirty years. In this case the percentage of income being paid for basic shelter rose to between 29.2 percent and 30.8 percent. As a Co-operative official was to remind CMHC, the Corporation was not supposed to allow people to pay over thirty percent. When heating and utilities were added, this amounted to as much as 35.4 percent

of income being devoted to housing. These arrangements would seem to be in direct violation of Paragraph D(3) of Head Office's letter to the Calgary office, of 5 August 1970, which states, "It would be expected that an all-in monthly charge would not exceed thirty percent of incomes." Furthermore, it was contrary to general Corporation policy: "It has generally been accepted by lending institutions that carrying charges on principle, interest and taxes should not exceed twenty-seven percent of family income. For full-serviced rental accommodation the accepted maximum ratio of rentals to income has been thirty percent."[40]

The response of some members of the Co-operative to these limitations was to apply for a much larger unit than they actually needed. A couple, for example, would apply for a 4-bedroom unit. If this were done, in some instances the higher monthly charge would absorb their income enabling them to stay within the 7 7/8 percent monthly charge rate. This, however, could hardly be the strategy of the majority. The basic result, in fact, was that the majority of the persons who had initially joined the Co-operative and made deposits were no longer interested, or in many cases, eligible, for accommodation in this project. This caused a severe drop in the membership rolls of CHAC and no small amount of resentment. It also created real difficulty with the marketing of the units.

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40 Special $200 Million Low-cost Housing Program, Interim Report, page 12.

Revision of the Basic Agreement

It took some time for the Co-operative to actually react to this situation. This was in part because the balance of 1970 was largely taken up with matters of construction contract and financing. The wide-spread member dissatisfaction could hardly be ignored, however, and K.G. Switzer of the Credit Union, who was responsible for interviewing applicants and processing applications, summarized the situation in a letter and memorandum setting out the problem and some alternative solutions. Key parts of his letter suggested making $8,500 the upper income limit on all units and reducing the unsubsidized interest rate from 9½ percent to 8 ¾ percent.[41] There was also substantial discussion of making the entire project a straight Section 40 loan at 8 ¾ percent with no controls. In fact the branch office thought that this was the Co-op's preferred option.[42]

Discussions with the local office revealed that the matter in dispute was a question of policy, and CHAC moved to resolve the situation in Ottawa. Glenn Haddrell arranged a meeting with the Minister for 11 May. When the Minister was unable to attend, the Co-operative group met with H. Hignett and A. Wilson. After substantial discussion, the agreement was revised so that the maximum income for all units would be $8,500. Families with incomes between the minimum and maximum would pay according to a scale graduated by 1/8 percent increase rate, and ranging between 7 7/8 percent and 8 ¾ percent.

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41 K. Switzer to A. Graham, 23 April 1971.

42 Bond to M. Segouin, 30 April 1971.

This produces a range of $10 - $12 between the lowest and highest monthly rate. A maximum of 10 percent of the residents could have incomes higher than $8,500 per annum. The surplus which would arise from the surcharges would stay with the Co-operative to be made available to those below the minimum income threshhold.

The percentage of income now devoted to shelter cost fell back into a more reasonable proportion. It now ran from thirty percent at the minimum entry income down to 21.4 percent at the maximum income.

The cost to the Co-operative of the initial policy even though it was subsequently reversed, is hardly calculable. They lost the majority of their membership and the chance to create a community in which a significant proportion of the members were involved during the planning and development stages. Furthermore, they lost the impetus which had been developed for the sale of the units. By the time the terms had been revised, the low income housing market in Calgary had softened considerably, making the task of filling the co-operative units that much more difficult. By 13 August 1971, the Co-operative had approved applicants for only 103 of the units. Sales of the units are proceeding progressively but not rapidly. They are clearly in for a long sales campaign.

The Confusing Rental Figures

The 25 September 1970 letter, from R. Ford to branch office incorporating a suggested draft letter of agreement between the Corporation and CHAC, set out the following rents:

2-bedroom	$123
3-bedroom	$136
3-bedroom-large	$144
4-bedroom	$154

It was indicated that these amounts were to cover taxes, principle and interest, administration, maintenance and operating. There seems to have been a misunderstanding on these figures. In the branch office copy of the Ford letter, the above amounts were struck out and replaced by rates which were in each case $12 per month higher, and these rates were used in the actual letter of agreement from the Corporation to the Co-operative. In fact, it seems that the figures provided by Ford included only principle, interest and taxes.[43] The $12 was added to cover basic property management. The minimum incomes were then based upon these figures. Not included even in the higher figures were heating, utilities, replacement costs and insurance. The Co-operative has added an additional $12-$15 for these items. It is on this basis that they arrived at the basic costs given in their brochures. (The Co-operative's basic rental calculations for the different units and at varying interest rates are given in Schedule 8. Schedule 7 contains the various calculations of monthly charges.) The question of the actual rates is, of course, an extremely important question, especially because these rates were used to determine the appropriate income ranges for the various units. In this situation, which is certainly one in which CMHC could be expected to act competently, it is very hard to understand the confusion within the Corporation as to the appropriate operating budget and monthly rental rates for the various units.

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[43] See Malkin's letter to Graham of 22 March 1971, recounting his disucssion with Bond of CMHC.

Other Matters with CMHC: Equity, Interim Financing, Attitude

The equity calculations also seem to have gone through a very strange and circuitous route. On 24 September 1970, Branch Office sent a telex to Head Office giving the equity amounts as follows:

2-bedroom	$ 492
3-bedroom-large	$1218
3-bedroom	$ 567
4-bedroom	$1472

Nobody has been able to explain the incredible disparity in the equity amounts required for the two different sized 3-bedroom units. Neither the monthly payments, nor the total cost of the units justify a difference anywhere near this amount.

Even the revised figures in the promotional literature do not seem quite correct. The Co-operative applied for a ninety-five percent mortgage loan which would make the equity requirement five percent. In fact, the actual relationship between the total cost (less mortgage insurance fee) and equity is 5.286%. If this percentage were applied to each of the unit types, it would produce the following equity amounts:

(A) Unit Type	(B) # of Units	(C) Total Unit Cost Less Mort.Ins.Fee	(D) Actual Equity Requirement
2B	56	14,765	705
3C	49	16,796	836
3A	191	17,849	939
4A	84	19,204	1106
TOTALS	380		

(E) Total Actual Equity	(F) 5.286% As Equity	(G) Total Equity At 5.286%	(H) 5.286%- Actual (F - D)
39,480	781	43,736	-76
40,964	888	43,512	-52
179,349	944	180,304	- 5
92,904	1015	85,260	plus 91
352,697		352,812	

The important thing to note is the relationship between the actual equity requirement (as shown in the promotional brochure and Co-op schedules) in Column D, and the equity requirement determined as a strict percentage, as in Column F. Column H shows difference between them. It is very surprising for the 4-bedroom unit, whose large family occupants of the large units are subsidizing the residents of all the other units who are all paying less equity than they strictly should.

It is not clear that this was a conscious decision on the part of the Co-operative and CMHC has never challenged it.

Right from the outset of the project, the Co-operative has been served notice that the Corporation would require eighty percent of the units to be sold before any advances would be issued.[44] The only way the Co-operative was able to proceed in the light of this situation was due to the fact that the Credit Union Federation of Alberta was both able and willing to provide interim financing for the project. This was done through Co-operative Centre Credit Union Ltd., which is also acting as the project administrator for the Co-operative.

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44 See Bond to CHAC, 6 October 1970 and 27 October 1970.

This is a very fortunate circumstance. The Co-operative at one point was very close to having eighty percent of the units spoken for (during the course of the project, CHAC has had over 500 members), but CMHC imposed income requirements which cut the membership drastically. At the same time, the resources of CUFA are limited and the Co-operative pushed to accelerate the advance from CMHC by reducing the pre-selling requirement. At the meeting in Ottawa on 11 May 1971, they were able to get the requirement reduced to fifty percent. As of August 1971, however, the Co-operative still had not been able to dispose of fifty percent of the units, and the Corporation had not yet made its first advance.

The participation of credit unions has been of great importance and marks a real shift in attitudes of a few years ago when credit unions had little interest in co-operative housing.

The Credit Union Federation began to consider the Sarcee project two years ago. At that point it was visualized that CUFA would simply be a channel for funds being put up by labour unions and large co-operatives. With most of the eventual membership already on board, risk was viewed as a "negligible factor." It was expected that Corporation advances would begin early again because of the membership already established, and that CUFA interim financing might at best approach $2 million.

The actual turn of events has been quite the opposite. To satisfy the contractor's concern, guaranteed the Co-operative's performance under contract. The province ruled that CUFA could not act as a trustee of union funds and so this source

of funds largely dried up. The membership drop prevented early advances.

The result has been CUFA putting up about $5 million in bridge financing and thus assuming the risk of the venture. Furthermore, the failure to obtain early occupancy and the associated revenue, plus the fact that CUFA interest rates are higher than the mortgage rate, have meant a sizable increase in the cost of interim financing for the project.

CUFA is presently reconciled to their having funds in the project for an extended period, secured by a second mortgage, even after the CMHC mortgage has been fully advanced.

Although CUFA wishes events had proceeded differently, they are quite tranquil at the situation. They view it as one in which solidarity between the credit union and co-operative must remain.

It is unlikely that there will be many areas where credit unions, or their provincial federations, will be willing, or have the resources, to go the distance which CUFA has. And, in fact, a less prejudical Corporation advance policy would not require them to. But the increased willingness of credit unions to support co-operative housing should be noted.

The branch office's attitude to the Co-operative project seems to be one of mild bewilderment and fairly passive assistance, aligned with a real commitment to administer the project according to the book. Despite this, the Co-operative seems to have no resentment towards the Corporation and in fact feels that they have been of real assistance to the project. At the same

time it is very clear that the branch office could have been of material assistance to the Co-operative at various stages, particularly in relation to the costing of the project, and of course, by not imposing income limits that were far more restrictive than any other project that I am aware of. The architect for the project has commented in addition that CMHC has been over-inspecting the project. He claims that the local office has admitted that they have put far more time and energy than is required by their regulations into their inspection of this project. He does not mind inspections since they help keep the contractor performing at a high level. However, he also feels that the local office has been extremely inflexible in matters of interpreting residential standards and other requirements for physical nature of the project. They have done this even when it was impossible to see how the regulation in question would actually lead to a better completed project.

CO-OPERATIVE HOUSING ASSOCIATION OF CALGARY

SARCEE VILLAGE PROJECT

SCHEDULE I - EQUITY AS VARYING PERCENTAGES OF NET SELLING PRICE

A	B	C	D	E	F	G
Unit Type	Total Cost of Unit (selling price)	Less Mort. Ins.Fee	Selling Price Less Mort. Ins. Fee	Equity as Percentage of D 5%	5.28%	5.286%
2B	14,906	141	14,765	738.25	779.5920	780.47790
3C	16,956	160	16,796	839.8	886.8288	887.83656
3A	18,018	169	17,849	892.5	942.4272	943.49814
4A	19,385	181	19,204	960.20	1013.9712	1015.12344

$$\frac{\text{Total Equity}}{\text{Total Cost (less mort.ins.fee)}} = \frac{352.700}{6,672.158} = 5.286\%$$

SCHEDULE 2 - SOME APPLICATIONS OF EQUITY PERCENTAGES TO PROJECT

	A	B	C	D	E	F	G
Unit Type	Unit Selling Price Less Mort.Ins.Fee	Actual Equity	5% of A As Equity	C - B	5.286% of A As Equity	E - B	# of Units
2B	14,765	705	738	-33	781	-76	56
3C	16,796	836	840	- 4	888	-52	49
3A	17,849	939	893	+46	944	- 5	191
4A	19,204	1106	960	+146	1015	+91	84

SCHEDULE 3 - COMPARISON OF ACTUAL CALGARY EQUITY WITH THEORTICALLY CORRECT EQUITY

A	B	C	D	E	F	G	H
Unit Type	# of Units	Total Unit Cost Less Mort.Ins.Fee	Actual Equity Requirement	Total Actual Equity	5.286% As Equity	Total Equity At 5.286%	5.286%-Actual (G -D)
2B	56	14,765	705	39,480	781	43,736	-76
3C	49	16,796	836	40,964	888	43,512	-52
3A	191	17,849	939	179,349	944	180,304	- 5
4A	84	19,204	1106	92,904	1015	85,260	+91
Totals	380			352,697		352,812	

SCHEDULE 4 - CHAC - SOURCE OF CAPITAL FUNDS

	CMHC 1970	CHAC 1971	
	I. SALES PRICE	I. SALES PRICE	
Unit 2B	814,912	834,736	
3A	3,462,448	3,441.438	
3C	809,578	830,844	
4A	1,643,880	1,628,340	
Total Cost	6,730,818	6,735,358	
	II. CMHC LOAN	II. CMHC LOAN	
2B	787,360	795,256	
3A	3,229,810	3,262,089	
3C	782,040	789,880	
4A	1,520,232	1,535,436	
	6,319,442		
Mortgage Insurance Fee	63,194		
Total Loan	6,382,636	6,382,661	Actual Loan: 6,382,594
	III. EQUITY	III. EQUITY	
2B	27,552	39,480	
3A	232,638	179,349	
3C	27,538	40,964	
4A	123,648	92,904	
Total Equity	411,376		
Less Mortgage Insurance	63,194		
Net Equity	348,182	352,697	
CMHC Loan	6,382,636	6,382,661	
Total Funds	6,730,818	6,735,358	4,540 net increase

SCHEDULE 5 - CAPITAL FUNDS BY UNIT TYPE, 1970 AND 1971

(Note: CMHC 1970 from Bond to Ford, telex 24 September 1970
CHAC 1971 from CHAC monthly charge schedule)

UNIT TYPE 2B

	CMHC 1970	CHAC 1971	
Sale Price	14,552	14,906	
56 units	56 x	56 x	
	814,912	834,736	
Net Loan (w/o ins.)	14,060	14,201	(with mort.ins.fee)
	56 x	56 x	
	787,360	795,256	
Equity	492	705	
	56 x	56 x	
	27,552	39,480	
Equity	27,552	39,480	
Net Loan	787,360	795,256	
Sale Price	814,912	834,736	

UNIT TYPE 3A

	CMHC 1970	CHAC 1971	
Sale Price	18,128	18,018	
191 Units	191 x	191 x	
	3,462,448	3,441,438	
Net Loan (w/o ins.)	16,910	17,079	(with mort.ins.fee)
	191 x	191 x	
	3,229,810	3,262,089	
Equity	1,218	939	
	191 x	191 x	
	232,638	179,349	
Equity	232,638	179,349	
Net Loan	3,229,810	3,262,089	
Sale Price	3,462,448	3,441,438	

SCHEDULE 5 (Cont'd)

UNIT TYPE 3C

	CMHC 1970	CHAC 1971	
Sale Price	16,522	16,956	
49 Units	49 x	49 x	
	809,578	830,844	
Net Loan (w/o ins.)	15,960	16,120	(with mort.ins.fee)
	49 x	49 x	
	782,040	789,880	
Equity	562	836	
	49 x	49 x	
	27,538	40,964	
Equity	27,538	40,964	
Net Loan	782,040	789,880	
Sale Price	809,578	830,844	

UNIT TYPE 4A

	CMHC 1970	CHAC 1971	
Sale Price	19,570	19,385	
84 Units	84 x	84 x	
	1,643,880	1,628,340	
Net Loan (w/o ins.)	18,098	18,279	(with mort.ins.fee)
	84 x	84 x	
	1,520,232	1,535,436	
Equity	1,472	1,106	
	84 x	84 x	
	123,648	92,904	
Equity	123,648	92,904	
Net Loan	1,520,232	1,535,436	
Sale Price	1,643,880	1,628,340	

SCHEDULE 6 - PERCENT OF INCOME PAID FOR HOUSING UNDER FIRST AGREEMENT WITH CMHC

2-Bedroom	A	$135	is	30%	of	5390/12
	B	$135	is	27.4%	of	5900/12
	C	$147	is	32.7%	of	5390/12
	D	$147	is	29.7%	of	5900/12
	E	$170	is	34.0%	of	6000/12
	F	$148	is	29.6%	of	6000/12
3-Bedroom (s)	A	$148	is	30.1%	of	5900/12
	B	$148	is	26.9%	of	6600/12
	C	$161	is	32.7%	of	5900/12
	D	$161	is	29.2%	of	6600/12
	E	$188	is	33.6%	of	6700/12
	F	$163	is	29.2%	of	6700/12
3-Bedroom (1)	A	$156	is	30.0%	of	6240/12
	B	$156	is	28.3%	of	6600/12
	C	$170	is	32.6%	of	6240/12
	D	$170	is	30.9%	of	6600/12
	E	$198	is	35.4%	of	6700/12
	F	$172	is	30.8%	of	6700/12
4-Bedroom	A	$166	is	30.0%	of	6640/12
	B	$166	is	28.0%	of	7100/12
	C	$181	is	32.3%	of	6640/12
	D	$181	is	30.5%	of	7100/12
	E	$211	is	35.1%	of	7200/12
	F	$181	is	30.1%	of	7200/12

A. monthly charge (PIT and property management) at 7 7/8% interest rate to minimum income required.

B. monthly charge (PIT and property management) at 7 7/8% interest rate to maximum income allowed.

C. monthly charge (utilities included) at 7 7/8% interest rate to minimum income required.

D. monthly charge (utilities included) at 7 7/8% interest rate to maximum income allowed.

E. monthly charge (utilities included) at 9 1/2% interest rate to previous maximum income with $100 per year.

F. monthly charge (without utilities) at 9 1/2% interest rate to previous maximum income with $100 per year.

SCHEDULE 7 - VARIOUS CALCULATIONS OF MONTHLY CHARGES

1	2	3	4	5	6	7	8	9	10	11
	PIT		PIT + Admin. + Maint.			PIT	Admin., Maint. & Utilities			
Unit Type	Ford	Malkin	Bond	Bond	Income	Co-op	Malkin	Income	Co-op	Co-op
			7 7/8%	9 1/2%	Min./Max.	7 7/8%	7 7/8%	Min.	8 3/4%	9 1/2
2-bedroom	123	121.33	135	157	5390/5900	147	149.32	5500	157	170
3-bedroom(3C)	136	139.50	148	173	5900/6600	161	163.74	6000	172	188
3-bedroom(3A)	144	147.26	156	182	6240/6600	170	172.64	6400	181	198
4-bedroom	154	158.97	166	194	6640/7100	181	183.90	6800	193	211

Sources:

2. Ford to Calgary Branch Office, 25 September 1970.

3. Malkin to Graham, 25 March 1971, Sheet #2.

4,5,6. Bond to CHAC, 6 October 1970.

7 & 11. CHAC brochure (Green)

8. Malkin to Graham, 25 March 1971, Sheet #2.

9 & 10. CHAC brochure (revised, manilla); Credit Union schedules 1 - 4.

C.H.A.C. - Dwelling Type 2B (40 - Year Mortgage)

Selling Price $14,906 - Share Deposit $705 = (Loan 14,060 + Mortgage Insurance $141) = Mortgage $14,201

PIT = 123 x 100/30% = 4960.00
PIT = 123 x 100/27% = 5466.60

Effective Income From	To	Interest Rate	Principal and Interest	Taxes Estimated	PIT	Maintenance Charge	Sub-Total	Utilities	Total Payment	Payment Rounded
4960.00 (Exceptional Condition) or	5466.60	7 7/8	96.07	26.93	123.00	12.00	135.00	12.00	147.00	147.00
5467.00	5899.94	8	97.36	26.93	124.29	12.00	136.29	12.00	148.29	149.00
5900.00	6333.28	8 1/8	98.64	26.93	125.57	12.00	137.57	12.00	149.57	150.00
6334.00	6766.62	8 1/4	99.93	26.93	126.86	12.00	138.86	12.00	150.86	151.00
6767.00	7199.96	8 3/8	101.23	26.93	128.16	12.00	140.16	12.00	152.16	153.00
7200.00	7633.30	8 1/2	102.52	26.93	129.45	12.00	141.45	12.00	153.45	154.00
7634.00	8066.64	8 5/8	103.83	26.93	130.76	12.00	142.76	12.00	154.76	155.00
8067.00	8500.00	8 3/4	105.13	26.93	132.06	12.00	144.06	12.00	156.06	157.00

NOTE:

2B 56 Units @	7 7/8%	96.07	26.93	123.00
		= 5379.92	1508.08	6888.00
3C 49 Units @	7 7/8	5343.94	1320.06	6664.00
3A 191 Units @	7 7/8	22068.14	5435.86	27504.00
4A 84 Units @	7 7/8	10387.44	2548.56	12936.00
Total monthly charges of	PIT =	43179.44	10812.56	53992.00

(53959.00 required payment on the mortgage)

C.H.A.C. - Dwelling Type 3C (40 - Year Mortgage)

Selling Price $16,956 - Share Deposit $836 = (Loan $15,960 + Mortgage Insurance $160) = Mortgage $16,120

PIT = 136 x 100/30% = 5440.00
PIT = 136 x 100/27% = 6044.40

Effective Income From	To	Interest Rate	Principal and Interest	Taxes Estimated	PIT	Maintenance Charge	Sub-Total	Utilities	Total Payment	Payment Rounded Up
5440.00 (Exceptional Condition) or	6044.40	7 7/8	109.06	26.94	136.00	12.00	148.00	13.00	161.00	161.00
6045.00	6395.20	8	110.51	26.94	137.45	12.00	149.45	13.00	162.45	163.00
6396.00	6746.00	8 1/8	111.97	26.94	138.91	12.00	150.91	13.00	163.91	164.00
6747.00	7096.80	8 1/4	113.44	26.94	140.38	12.00	152.38	13.00	165.38	166.00
7097.00	7447.60	8 3/8	114.91	26.94	141.85	12.00	153.85	13.00	166.85	167.00
7448.00	7798.40	8 1/2	116.38	26.94	143.32	12.00	155.32	13.00	168.32	169.00
7799.00	8149.20	8 5/8	117.86	26.94	144.80	12.00	156.80	13.00	169.80	170.00
8150.00	8500.00	8 3/4	119.34	26.94	146.28	12.00	158.28	13.00	171.28	172.00

NOTE:

3C 49 Units @	7 7/8%	109.06	26.94	136.00
	=	5343.94	1320.06	6664.00

191 Units | C.H.A.C - Dwelling Type 3A | (40-Year Mortgage)

Selling Price $18,018 - Share Deposit $939 = (Loan $16,910 + Mortgage Insurance $169) = Mortgage $17,079

PIT = 144 x 100/30% = 5760.00
PIT = 144 x 100/27% = 6446.20

Effective From	Income To	Interest Rate	Principal and Interest	Taxes Estimated	PIT	Maintenance Charge	Sub-Total	Utilities	Total Payment	Payment Rounded Up
5760.00 (Exceptional Condition) or	6446.20	7 7/8	115.54	28.46	144.00	12.00	156.00	14.00	170.00	170.00
6447.00	6739.60	8	117.09	28.46	145.55	12.00	157.55	14.00	171.55	172.00
6740.00	7033.00	8 1/8	118.63	28.46	147.09	12.00	159.09	14.00	173.09	174.00
7034.00	7326.40	8 1/4	120.19	28.46	148.65	12.00	160.65	14.00	174.65	175.00
7327.00	7619.80	8 3/8	121.74	28.46	150.20	12.00	162.20	14.00	176.20	177.00
7620.00	7913.20	8 1/2	123.30	28.46	151.76	12.00	163.76	14.00	177.76	178.00
7914.00	8206.60	8 5/8	124.87	28.46	153.33	12.00	165.33	14.00	179.33	180.00
8207.00	8500.00	8 3/4	126.44	28.46	154.90	12.00	166.90	14.00	180.90	181.00

NOTE:

3A 191 Units@	7 7/8	115.54	28.46	144.00
	=	22068.14	5435.86	27504.00

84 Units | C.H.A.C. - Dwelling Type 4A | (40-Year Mortgage)

Selling Price $19,385 - Share Deposit $1106 = (Loan $18,098 + Mortgage Insurance $181) = Mortgage $18,279

PIT = 154 x 100/30% = 6200.00
PIT = 154 x 100/27% = 6844.44

Effective Income From	To	Interest Rate	Principal and Interest	Taxes Estimated	PIT	Maintenance Charge	Sub-Total	Utilities	Total Payment	Payment Rounded U
6200.00 or	(Exceptional Condition) 6844.44	7 7/8	123.66	30.34	154.00	12.00	166.00	15.00	181.00	181.00
6845.00	7080.95	8	125.31	30.34	155.65	12.00	167.65	15.00	182.65	183.00
7081.00	7317.46	8 1/8	126.97	30.34	157.31	12.00	169.31	15.00	184.31	185.00
7318.00	7553.97	8 1/4	128.64	30.34	158.98	12.00	170.98	15.00	185.98	187.00
7554.00	7790.48	8 3/8	130.30	30.34	160.64	12.00	172.64	15.00	187.64	188.00
7791.00	8026.99	8 1/2	131.97	30.34	162.31	12.00	174.31	15.00	189.31	190.00
8027.00	8263.50	8 5/8	133.64	30.34	163.98	12.00	175.98	15.00	190.98	192.00
8264.00	8500.00	8 3/4	135.32	30.34	165.66	12.00	177.66	15.00	192.66	193.00

NOTE:

4A 84 Units @	7 7/8	123.66	30.34	154.00
	=	10387.44	2548.56	12936.00

CO-OPERATIVE HOUSING ASSOCIATION of CALGARY, LTD.

REPORT of EFFECT of INCOME LIMITS on CHOICE of HOUSING

prepared 6 May, 1971

by CO-OP CENTRE CREDIT UNION, LTD.

CHILDREN	5390-5900	5900-6600	6240-6740	6640-7100	OVER
0	2B - 147	3C - 161	3A - 170	4A - 181	2B - 170
1	2B - 147	3C - 161	3A - 170	4A - 181	2B - 170
2	2B - 147	3C - 161	3A - 170	4A - 181	2B - 170 3C - 188
3		3C - 161	3A - 170	4A - 181	3C - 188 3A - 198 4A - 211
4		3C - 161	3A - 170	4A - 181	3C - 188 3A - 198 4A - 211
5				4A - 181	4A - 211
OVER				4A - 181	4A - 211

Many of the applicants who have effective income for CMHC assessment purposes over $7100 withdraw their membership. They find that they can obtain housing at competitive rates with the added incentive of individual ownership. Those who do remain tend to make a choice related to their needs.

Those applicants with effective income between $5900 and $7100 tend to choose homes that fit their income in order to take advantage of the subsidized mortgage rates. The problem area is shaded in the above table.

To minimize these problems and attract many people who are currently searching for homes within their capability to meet the monthly charges; i.e., approximately 27% of income to P.I.T.; the following alternatives are suggested.

1. (a) Raise the maximum income limit to over $8500 per annum.
   (b) Remove income limits related to size of home; i.e., 2B, 3C, 3A, 4A should be related to the limit in (a).

2. Obtain mortgage rate without income limits. This would eliminate the need for upper limit income reviews both at the time of signing the applicant and at mortgage rate roolover periods.

Statistical Note: 572 persons have held memoership in CHAC since May 1969. ...../2

[illegible]

Mortgage Applications submitted to CMHC during March and April 1971

	2B		3C		3A		4A		
	SUB	UNSUB	SUB	UNSUB	SUB	UNSUB	SUB	UNSUB	TOTAL
Approved	6	6	1	7	10	35	7	15	87
Withdrawn	0	2	0	2	0	9	0	3	16
Current Membership	6	4	1	5	10	26	7	12	71

2. The Co-operative Homes Corporation of the London Area, Twin Pines Village Project and Blessed Sacrament Project

Beginnings

The seed for this co-operative project seems to have been planted in 1969 when Jim MacDonald of NLCC ran a weekend labour school program on housing in London. That Fall, John Campbell, an old acquaintance of Jim MacDonald's from Cape Breton, called the first meeting of a group to consider developing a co-operative housing project in London. The first meeting was held on October 7, 1969, and three additional meetings were held before the end of the year.

The initial interest was in a "sweat-equity" co-operative, in part because John Campbell had experience with one in Nova Scotia. Ontario Housing Corporation was approached to see if they would make land available, but OHC replied that they were not very interested and land would not be available at less than $6,000 per lot. This was clearly out of the question since the group, even at this point, was interest in providing housing for families in the $5,000 to $7,000 income range, that is those who were neither eligible for public housing nor for a private homeowner mortgage.[45]

When a building co-operative did not seem to be viable, given the cost of land, the group was uncertain of the direction it might take. In October 1969, representatives had attended a plenary planning meeting of what subsequently became the

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45 See J. Wagland to J. Jordan, 25 November 1969.

Ontario Habitat Foundation. The meeting had been organized primarily by John Jordan and Mary Lewis, and so the group turned to John Jordan for assistance. He attended the fourth meeting of the Co-operative Executive Committee on 20 January 1969 and reviewed the development process, costs and the means of financing a continuing co-operative.

During the next two months, the Co-operative deepened its organizational base and on March 17 held a public meeting and elected an Executive which upon incorporation became the Board of Directors. The Executive Committee was quite diversified. This was a function of both the quarters in which the concept of co-operative housing received ready response and a deliberate attempt by John Campbell and other initiator to create a broad organizational base of support for any project. The precise composition was as follows:

Office	Name	Occupation
President	John Campbell	Registrar, King's College
Vice-President	Frederick Laird	Pastor, United Church
Secretary	Roland Parris	Steelworker U.S.A. Local 33
Treasurer	J. Melville Deacon	Investment Dealer
Member at Large	Rev. John Wagland	Pastor, Anglican Church
Financial Committee Chairman	George King	Stonemason
Construction & Building Code Committee Chairman	Norbert Schuller	Architect
Legal and By-laws Committee Chairman	Rev. Gerald Duchene	Pastor, Roman Catholic Church
Land & Municipal Act Committee Chairman	Bob Sexsmith	Auto Worker
(Sexsmith moved from the area and was replaced by	Dr. Michael Ryan	Roman Catholic Priest and Seminary & University Professor)

A less formal analysis would show that Campbell was the driving force within the group; Laird was the Pastor of Gethsemane United Church which offered land for the project; Parris kept the Co-op's lines open to the Steelworkers, one of the two largest unions in the area; Deacon was a layman heavily involved with Gethsemane United Church; Wagland kept open the lines to the Anglican Church; George King kept the Co-operative in touch with the Building Trades Union; Schuller ended up being the architect for the project but voiced an independent interest in co-operatives from the outset; Duchene was the Pastor of Blessed Sacrament Church which offered a site and was also involved in a number of other social action projects in London; Sexsmith was a member of the UAW and kept the Co-operative in touch with this union which was the other large union in the area; and Ryan was a very socially concerned cleric who was also known as a key advisor to the Roman Catholic Bishop of London. The group had deliberately attempted to create a broad organization so that they would be able to lever the support of various institutions. Operating on this basis, they intended from the outset to act as a mother society for the development of various project.

The Co-operative did not spend an extensive amount of time discussing or analysing what co-operative housing was about. Clearly, to them it meant direct, joint action to provide actual housing units on a non-speculative basis. Their goals were spelled out somewhat more explicitly in the statement. of March 17. This statement issued eight advantages of co-operatives which were at the same time the goals of this project. A number of them were matters of economics or convenience, but in addition they mentioned the fact that co-operative housing communities provided for joint decision making, security of tenure

and the means to overcome the"alienation and isolation which are the bane of modern urban living". They also saw themselves as closely allied to the labour movement and regarded with repugnance the possibility of developing the project by using non-union labour. This was seen as a direct contradiction of their co-operative program. This Co-operative has more of a sense of the underlying principles and the meaning of co-operatives as a vehicle for social change than do any of the other continuing co-operatives currently being developed. This is one project that should be monitored very carefully as it proceeds into the stage of actual occupancy.

Putting Together the Team and Two Projects

Within four months of their March 17 meeting this Co-operative group had packaged two sophisticated projects and submitted them to CMHC for mortgage financing under the 1970 $200 Million Innovative Program. None of the members of the group had any experience in development, with the obvious exception of the architect who had had no experience in low cost housing. That this achievement was possible was a function of the development team and of the backing which they received.

John Jordan and later his associate David Peters, were enabled to continue to assist the Co-operative group through the financial assistance provided by the Co-operative Housing Foundation in Ottawa. This organization paid their expenses and per diems until such point as the Co-operative group clearly had a project and funds from which to pay these expenses. Their role has been to provide general guidance to the Co-operative, including assistance in negotiations with CMHC, legal matters and extensive capital and operational financial analysis.

Since the Executive Committee itself had been assembled in a quite short period of time and represented several organizations and interests in the community, most of the Executive members did not know each other well. And, since a firm goal or objective, except that of creating a co-operative housing project, had not been agreed upon, it meant that there was ample room for conflict to arise. The only conflict which did arise in the course of the project was in connection with the choice of an architect.

Laird, the United Church Minister, strongly suggested that the architect on the Co-operative Executive be appointed as an architect for the Gethsemane project. Other members of the Committee, John Campbell, in particular, felt that this decision had been arrived at too facilely and suggested that there should be more consideration of it. At this point, the Co-operative advisor emphasized the importance of the choice of an architect and recommended that they interview a number of other architects. They suggested some criteria which might be used in the selection of an architect including their design capability, their cost consciousness and experience, and their general compatability with the Co-operative organization. Four architectural firms were chosen and were interviewed in the course of two meetings. At the end of the four presentations, it was unanimously decided that the architectural commission should indeed be awarded to Murphy, Schuller, Breen and Martin; Norbert Schuller was the partner of the firm who sat on the Executive of the Co-operative.

After having gone through the exercise of interviewing other architects, the Co-operative was in a position to make a more rational choice, the potential for conflict within the organization was relieved, and the members of the Board had

learned a substantial amount about how an architect functions and what the relative strengths and weaknesses of various architectural firms were. It should be mentioned that Schuller did not rely at all on his membership of the Board of the Co-operative. He developed an extremely detailed and well-worked out presentation for the Board. He had clearly put considerable time and forethought into his presentation. The motion appointing the architect also required him to produce a building within budget, or the Co-operative could terminate the relationship without any cost to the Co-operative.[46]

A solicitor was chosen in similar fashion. The Co-operative had actually preferred to use a particular lawyer who was experienced in real estate and known to be sympathetic to ventures of this type. He, however, seemed to place little credibility in the Co-operative and said that he had little experience with them, and would prefer not to do it. A few members of the Co-operative, together with their co-operative then interviewed a number of lawyers, and one was recommended to the Board. An important factor in their choice of solicitors was whether or not he was on the approved CMHC list. The Co-operative subsequently requested that CMHC use this solicitor on the Gethsemane project to reduce the legal costs to the Co-operative.

Once the preliminary plans for the project were prepared, the architect contacted a contractor with whom he had done extensive work previously. This was a subsidiary of

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46 Minutes, 5 May 1970.

McDougall Construction, a substantial contracting firm in the London area, which primarily does institutional and commercial work. It is, therefore, a firm which uses union labour. The architect negotiated a price with the contractor. This continuing relationship between the architect and the contractor was one of the characteristic features of the development model used in the London instance. In performing this function, the architect has gone far beyond the role of an architect in this type of situation. Given the inexperience of the Co-operative, this had undoubtedly been to their advantage, especially since pricing seems to have worked out quite favourably. The major risk in this situation was that the Co-operative was really relying on the one contractor's estimate as an accurate estimate of the construction for the project. Furthermore, a very considerable period of time elapsed between the initial estimate in June 1970 and the final signing of the contract a year later. During this period the Co-operative had very little hold on the contractor. Its hold was actually as good as the nature of the relationship between the architect and contractor, and experience in other situations has always shown that this relationship will not be sufficient to cause the contractor to swallow any substantial increase in costs, even if it was due in the first instance to his own negligence. Some checking on the price was done by the Co-operative's advisors, but the route of a normal check price was not followed through largely because the architect thought it would jeopardize the relationship and therefore the price with the chosen contractor.

A major issue in the field of co-operative housing developments is the role of union labour in construction. In some cities, such as Toronto for example, there are clearly differentiated commercial and residential trades. The residential

construction industry is extensively organized, with residential unions, which have different wage scales and working conditions from those of the unions which do commercial and institutional work. In other cities of the Province, and most other cities in the country, the residential industry is poorly organized, if at all. This was certainly the situation in London. The contractors and developers who generally build housing are non-union. The Co-operative was committed to using union labour. Therefore, the Co-operative had to use a union contractor even though he would probably not have extensive experience in residential work. All parties were afraid of a tremendous increment in cost being paid because of this situation. In practice, the situation was solved as a by-product of more general negotiations which were then underway between the building trades and the contractors. The result of these negotiations was an agreement between the Building Trades Council, which includes 17 international trade unions, and the London and District Contractors Association. The agreement provided for residential contractors to use union labour and the unions, on the other hand, to allow a small percentage of non-union labour, particularly in general trades such as labourers and carpenters. The unions also agreed to work longer hours than normal and to accept a cut in vacation allowances, although there would be no cut in basic wage rates. They also agreed that there would be no work stoppage on a project which they began. This agreement covered the apartment and housing construction industry in six counties. By virtue of this agreement the Co-operative could carry through with a project built by union members under union contracts and avoid the likelihood of a substantial cost premium.

Two Projects

Gethsemane United Church Site: Twin Pines Village

Gethsemane United Church had purchased five acres of land during the early 1960's at the corner of Huron and Sandford Streets. A church was constructed and parking facilities provided on the two acres closest to the intersection. The remaining three acres were, in fact, surplus. The Church, however, was carrying a substantial bank loan to finance the construction of the Church and found it very difficult to balance the annual budget. Accordingly, they had thought of disposing of the surplus three acres during 1969 and had actually considered an offer from an entrepreneur for the land. When the Co-operative project appeared on the scene, the entrepreneur's offer was refused and the Church approached the Co-operative and offered to sell the land to it. The Church's prime interest was in disposing of the land so that funds received from the sale could be used to reduce their bank indebtedness, but there was also a concern to dispose of the land for a project which would be not only a good neighbour but would be socially defensible. The Church reported the manner in the following way in their annual report:

> "After an initial study, the official Board unanimously passed certain resolutions pertaining to the liquidation of our bank loan and to a co-operative housing program to provide adequate housing in our community with active leadership, support and participation by the Church. These resolutions were presented to Middlesex Presbytery for consideration."[47]

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[47] Annual Report for the year 1969, Summary of Official Board Actions for 1969, p.3.

After some discussion an agreement was reached with the Co-operative on the price of the transaction. It was decided that the amount would be $75,000, which was approximately 10-15% below the market price for the land, and about half the amount which CMHC would have been willing to appraise the land for. In exchange for some relief on the purchase price, Gethsemane received the right to a seat on the Board of Directors of the Co-operatives and also the right to participate in the surplus if the project sold at some unspecified date in the future.

The basic design for the project arose after discussions between a group of the Co-operative Board Members, the architect and the Co-operative advisor. The plans which were submitted to CMHC in July 1970 showed 88 units, arranged in four blocks of back-to-back row house design. The four blocks form a cruciform shape, as each block, comes in from one of the four corners of the approximately square site, forming a small play area in the heart of the project. Parking was relegated to the periphery and adequate landscaping was provided. The physical planning of the project, both in terms of site layout and in terms of the physical design and specification of individual units, seems to have been extremely well done. Table 4 provides a basic summary of the proposal which was made to CMHC in July 1970.

Table 4

Initial Gethsemane Proposal Figures
3 July 1970

Unit Type	# of Units	Sq.Ft. Sq.Ft.	Total Cost	CMHC Mortgage	Equity	Monthly Charge$	Income Range$
Bach	8	400	(not calculated by pro-			96	3840plus
1-bdrm	12	600	ponent or CMHC)			116	4640plus
2-bdrm	34	800				131	5240plus
3-bdrm	30	1000				146	5840plus
4-bdrm		1300				161	6440plus

Average bed count	2.16	Total Cost	$1,100,100
Average unit cost	$12,500	5% Equity	55,005
Average equity required	$ 625		
		CMHC Mortgage	$1,045,095

CMHC reacted extremely positively to the Co-operative proposal. The Branch Planner commented on the "imaginative approach" of the plan. On 14 July 1970 the project was recommended to Ottawa for approval in principle of a loan of $1,045,095. The only corrections which the local office made in the Co-operative proposal were a few matters of the operating budget, the most important being an increase of $6 per month in the unit rates because of a decrease in the term of the mortgage from the fifty years the Co-operative had applied for, to forty years.

Blessed Sacrament Site Proposal

In part perhaps through a process of ecumenical competition, the Co-operative group was also presented in November of 1969 with a Roman Catholic Church site as a potential site for a project.

Standing on the site at the moment is a small church of pre-fabricated, frame construction which had been built as a temporary structure in 1951 at a cost of $45,000. The structure, while in moderately good repair, was in the long-term perspective, of dubious worth and its maintenance costs were excessively high. It was located in a working class area with incomes in the $4,000-$5,000 range and an average level of education of Grade 10. There were substantial problems in the area and a number of community associations and agencies were increasingly active. There was a community school group, the London Tenants' Association, the Women & Mothers' Allowance Association, and a youth group. The Church was attempting to bring these groups together in to an Oxford community group which would also unite them with the six churches in the area.

The structure planned for the site was to contain eighty apartment units, but in addition would also contain a community centre with a large hall which would double as a worship centre for the local Roman Catholic parish. Financially, the Church would provide the land to the Co-operative in exchange for perpetual use of the community and parish facility to be incorporated in the project. The Church would pay a monthly fee covering direct expense of utilities and maintenance for this space, but in view of its donation of the land would not pay anything toward the capital cost of the project.

In addition to the area in which it was located, the site had some real advantages. It backed, for example, onto a very substantial park area and was located adjacent to the separate school. On the other hand, the site was extremely long and narrow which created great difficulties in planning, particularly in accommodating the required parking. The narrow width of the site also limited the number of town house units

which could be created for family accommodation at the base of the high-rise. Despite these problems a proposal was submitted to CMHC in July of 1970. It was not more detailed than the Gethsemane proposal, being basically conceptual together with very preliminary drawings and a rough analysis of the space and costs.

Table 5 sets out the basic figures for the project at this preliminary stage.

Table 5

Initial Blessed Sacrament Proposal
July 1970

Unit Type	# of Units	Sq.Ft.	Total Cost	CMHC Mortgage	Equity	Monthly Charge	Income Range
Bach.	8	400	(not calculated by pro-			95	3800
1-bdrm.	16	600	ponent of CMHC)			120	4800
2-bdrm.	36	800				138	5520
3-bdrm.	20	1000				153	6120

Average bedroom count	1.90	Total Cost	$1,217,598
Average Unit Cost	$13,720	5% Equity	60,880
Average equity requirement	$761		
Average unit cost of non-residential place	$ 1,500	CMHC Mortgage	$1,156,718

CMHC's analysis of the project supported the Co-operative's application. Again minor changes were made in the operational budget resulting in an increase of $5per month per unit (which has already been incorporated in the rates in the Table 5). The local office of the Corporation recommended the proposal to Ottawa in the following terms: "We feel that this particular proposal has a great deal to offer. The land on which the project is to be erected is presently occupied by a Church, and will be donated by the Roman Catholic Church to the Co-op

Housing Association. The building when complete, will contain both church and community facilities which is intended to signify the Church's involvement in the total life of the community. We consider this proposal to be both innovative and economical, combining as it does, the two separate functions on one individual site." They, therefore, recommended approval in principle of a loan of $1,156,718.[48]

One or two projects?

It had clearly been the intention of the Corporation, particularly at Head Office, to finance only one co-operative project in London in 1970.[49] Branch office, however, pressed the Co-operative to submit both projects. A comparison of the two projects was carried out in Ottawa and showed that the Gethsemane project was preferable on the grounds of cost and bedroom count, but many people in the Corporation found the Blessed Sacrament proposal to be more interesting because of its mixed use of space. The Head Office comparison ended with a question, "Why not proceed with them both?"[50] The London office was asked their impression of which project was preferable to the Co-operative. They telexed back to Head Office, "London Co-op gives United Church proposal priority but with apprehension and concern contractor's price was contingent on both projects proceeding concurrently. Fear is that costs might escalate and low cost money might not be available".[51]

The Branch office was subsequently authorized to negotiate with the Co-operative for the development of a full-blown proposal, now that approval in principle had been given. The

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48 R. Parkinson to Head Office, 24 July 1970.

49 See G. Hall to file, 23 July 1970.

50 A.R. Pitt, 4 August 1971.

51 Parkinson to Head Office, 7 August 1970.

approval in principle was based in part on the fact that the "amount of funds involved is rather modest".[52]

The Co-operative was to engage in much more prolonged soul-searching as to the advisability of their undertaking both projects at the same time.

Gethsemane Project Continued

In the three months of August through October 1970 the Co-operative did an immense amount of work to turn the rough proposal for the Gethsemane site into a workable project. A site plan by-law was required and extensive negotiations and consultation were undertaken with the City Planning Board and with the variety of other city agencies in any by-law approval. Finally, on 3 November 1970, City Council approved a by-law change. David Peters undertook an extensive costing of the Gethsemane project including capital cost and operational budgets, equity requirements and income-to-rent schedules. A strong push was also made to draft and execute a written contract with the contractor to remove some of the ambiguity from the situation. The architect, however, was reluctant to push the contractor too hard and the Co-operative's lawyer did not assist them in applying any pressure. The Co-operative during this period also began to approach a number of co-operatives, credit unions and churches for the supply of interim financing.

The major negotiating difficulty during this time was the charges which the City of London was attaching to the project. The largest of these was a sewer outlet charge, totalling

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52 Ségouin to I. McLennan 12 August 1971.

$25,000 which the Co-operative feels has not always been applied to every project in the London area. They are continuing to work on obtaining relief from this charge. In addition to this amount, however, a substantial number of other charges were assessed by the City. Table 6 provides a list of these items.

Table 6

City Direct Charges or Extras Due to City Insistence

1.	Sewer Outlet charge (25¢ x 100,000 sq.ft.)	$25,000
2.	Boundary Road Charge (10¢ x 100,000 sq.ft.)	10,000
3.	Meters extra for separating units	4,500
4.	Future sewer laid (which goes out from site to a city sewer which hasn't been installed and won't be for the next 10 years or so!)	14,000
5.	Drywell to Sewer, study and design	4,000
6.	Actual Drywells	15,000
TOTAL - approximately 6.7% Project Cost		$72,500
7.	Plus for Cash Flow purpose, but not a capital cost. The City insisted that London post a bond sufficient to redo the sidewalks; to be returned to Co-op Homes on completion.	13,400

The Co-operative's tactic in dealing with the City on these various tiems to have as many members as possible of the Executive Committee present for each meeting with the City. In this way the City got a sense of the breadth and scope of the institutions which the Co-operative represented. Even the CMHC Manager feels that this tactic was important in achieving approval. He said that a number of developers were discomforted by the celerity with which the Co-operative was getting its project moved through the various City Committees, and the by-law approved.

In late November a revised capital cost estimate was produced by David Peters for the Co-op. It showed a cost increase of $155,950 for a total project cost of $1,256,050. In a draft letter to the CMHC branch office, David Peters broke down the $150,000 as follows.

$74,000	to the City for various charges
$20,000	to CMHC for mortgage insurance and application fees
$50,000	in increased construction costs, in the six months since the initial estimate was prepared.

An application for this revised amount was submitted to CMHC in early December and a letter of commitment was recieved from the Corporation dated 23 December 1970.

Table 7 summarizes the basic project figures at this point in time.

Table 7

Gethsemane Site Project Costs
December 1970

Unit Type	# of Units	Sq.Ft.	Total Cost	CMHC Mortgage	Equity	Monthly Charge	Income Range
Sr.Citz.	8				466	100	4,000
1-bdrm.	12				125	583	5,000
2-bdrm.	34				150	697	6,000
3-bdrm.	30				175	822	7,000
4-bdrm.	4				200	930	8,000

Average Unit Cost - $14,273

Total Cost	$1,256,060
(5% Equity)	62,803
(mort.ins.fee)	11,814
Net mort. loan	$1,181,433

The increase in project costs to this point was quite serious and had a definite effect upon the minimum income requirements for the project. However, these costs seemed to be largely unavoidable and the initial budget of the Co-operative must be regarded as low.

During the winter of 1970-71 a great deal of the Co-operative's time was taken up with the application to the Ontario Municipal Board for the municipal by-law allowing the project. This by-law had been passed by City Council at a meeting of 3 November 1970. As is customary, residents of the area had been notified of the by-law and a number of them had protested the decision. This meant that the matter would go before an OMB hearing. Seventeen objections to the project were received by the City, sixteen of which were from local residents and related to the development of Sanford Street, and one was from a neighbouring apartment building owned by Farnhurst Holdings. The principal of this firm was located in Toronto. The Co-operative's response to this situation was to spend a considerable amount of time contacting residents of the local neighbourhood and relieving their anxieties about the project. They even went to the point of drawing up an agreement acceptable to the home owners and providing for the repair of Sanford Street. The developer could not be handled so easily. John Campbell contacted the developer's local solicitor (Taggart) and explained to him that the project would be appealing to a different income group than the clientele of the developer's apartment building and so there should be no conflict. The solicitor undertook to present their point of view to the principal of Farnhurst. This was to no avail, however, and the Farnhurst group continued their objection to the project. Their objection alleged that the sewage disposal facilities would be

inadequate if the Co-operative project were built. They maintained this position despite the fact that an independent survey carried out by the Co-operative at the request of the City had shown that the sewage facilities in the area were adequate. The City had accepted and endorsed this report. Furthermore, the Co-operative was even prepared to give undertakings to Farnhurst in respect to the use and possible overloading of the sewers. All this was to no avail, and the matter finally had to proceed to a Municipal Board hearing. This delayed the start of the project through the Winter of 1971 and into the Spring.[53]

In late May 1971, the approval of the OMB had been received and the Co-operative was preparing to commence construction. They were informed at this point, however, that the cost of construction had risen and furthermore that the City was requesting an additional $10,000 in order to build a storm and sanitary sewer from the project to a sewer that might be installed in approximately 10 years' time. This meant a total increase in the project cost of $50,000. CMHC was approached again and once more approved of the increase and received confirmation from Head Office, according to a Branch Office telex to Head Office 31 May 1971, a re-appraisal supported an increase in the loan of this magnitude. However, the re-appraisal documents have not been available for examination. It would be worthwhile to examine them because of some of the comments contained in the initial re-appraisal dated 14 December 1970.

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53 See Memo of G.W. Hall to file, 2 February 1971.

Once the loan increase had been received and all other hurdles cleared, construction for the project commenced in June 1971. Construction has been proceeding rapidly and it is expected that the project will be completed prior to the end of 1971.

Blessed Sacrament Site Proposal, Continued

After more than a year's work, the Co-operative was finally in early 1971 compelled to abandon the proposed project on the Blessed Sacrament site. The basic reason was that the site simply was not large enough to enable the size of project that was required in order to provide the worship and common facilities that were at the heart of the agreement.

Subsequent to the decision to proceed no further with the project, Father Ryan wrote a review of their experience with the project. The following account is his review:

"5. August, 1970: CMHC approved 95% funding for both the Co-operative Homes Corporation proposals. A loan of $1,156,718.00 at 7 7/8% for 40 years was approved for the Blessed Sacrament project.

6. August, 1970: Representatives of Co-operative Homes Corporation and of Blessed Sacrament Parish met with Bishop Carter, later with Monsignor Laverty, Chancellor of the Diocese, and then, on August 25th, with the Diocesan Finance Committee indicated its readiness to enter into the necessary financial arrangements with Co-operative Homes Corporation.

7. August, 1970: The architect approached London Planning Board with preliminary sketches for the Blessed Sacrament project, and found that certain requirements of the Board could not be met without the purchase of more land. Moreover, other difficulties foreseen by Planning Board made it clear that a considerable piece of land would have to be obtained on the east side of the site (separate school land) rather than on the west side as at first intended.

8. August, 1970: The Separate School authorities were approached regarding the possibility of acquiring land adjacent to the Blessed Sacrament site. While it was not possible to acquire the particular parcel of land desired, the school authorities did leave the door open to possible purchase of another piece of land adjacent to the church.

9. September, 1970, to January, 1971: The architect prepared three different plans for the Blessed Sacrament site in an effort to find a design that would meet Planning Board objections (regarding overlook, access, traffic flow, etc.) and also fit on the small parcel of land available. He succeeded in meeting Planning Board's objections as far as design was concerned, but the need for more land became even more apparent, especially when Planning Board decided that, in view of the uses to which the Worship-Community Centre would be put, 143 parking spaces would be required as a minimum.

10. August, 1970, to October, 1970: The Parish Council at Blessed Sacrament Church, and then the congregation, were thoroughly briefed on the proposal, and the reasons for it. A vote held for the entire parish after several weeks preparation showed 487 people in favour of the project and 61 opposed to it.

11. November 4, 1970: Co-operative Homes Corporation took a serious look at the problems now besetting the Blessed Sacrament project, but decided to keep the project alive until actual costs were in and an assessment of the land had been completed.

12. November 12, 1970: Mr. Fred Norwood, a chartered accountant with the firm of Thorne, Gunn, Helliwell and Christenson, prepared a report on the Blessed Sacrament project, and indicated that the economics of the project on this particular site were very questionable.

13. December, 1970: CMHC indicated continuing interest in the Blessed Sacrament project. Acting upon new instructions received from Ottawa in the latter part of the year, they extended the projected commitment of money for this project to 1971.

14. January 5, 1971: Mr. D.W. Lambert of Egerton Associates reported the results of his appraisal of the Blessed Sacrament land site. The site is 1.66 acres and has a value of $65,000.00. Since the Diocesan participation in the project had been predicated on an estimated value of $90,000.00, this fact adversely affected the economics of the Diocese's participation in the project.

15. January, 1971: The contractor reported that the Worship-Community Centre would cost $167,790.00. When the total project was first planned, it had been expected that this Centre would cost no more than $100,000.00 to $125,000.00

16. January, 1971: Total cost of the Blessed Sacrament project, including the cost of acquiring a large piece of additional land, and making other arrangements to meet the parking problem, was estimated to be $1,372,040.00. Since the total funds available, including the 5% equity from the investors (tenants) was only $1,217,598.00, the project clearly was not possible. Moreover CMHC provided the information that if they increased the projected loan by 10%, the Co-operative would have to charge monthly rates to tenants that would be above the existing market rates.

17. The project had been planned so that the Worship-Community Centre would be a separate structure from the high-rise apartment (for many reasons, but especially because the need for bearing walls prevented a large open space within the high-rise building itself). The architect was now asked if the financial problem could be solved by making the Worship-Community Centre a partial basement in the high-rise. He stated that (a) such a solution would introduce a fair number of pillars into the Cente; and (b) it is questionable if this

change would reduce the cost sufficiently to make the project possible. Moreover the Officers of Co-operative Homes Corporation were reluctant to ask the architect at this point to prepare yet another plan, when he had already invested so much time and money in the project.

18. January, 1971: The Blessed Sacrament project was reluctantly cancelled.

We have previously mentioned CMHC's great interest in this proposal because of the combined uses and the community development component of it. CMHC was, therefore, extemely helpful to the Co-operative during the long period that the project was under study. The Branch office had quite naturally been pressing for a 1970 start on both of the projects if possible, but at least on the Gethsemane project. They requested the Co-operative to notify them if it appeared that a 1970 would not be possible on the Blessed Sacrament project. Accordingly, the Co-operative on 19 November wrote to Branch office saying that the project would require additional time in order to bring it to fruition. Branch office wrote to Head Office the following day saying that it was the intention of the Co-operative to "proceed with this development in 1971, if financing can be assured. They consider that the nature of the project, combining as it does, religious, community and residential facilities within the one building, is most innovative, and if brought to a successful conclusion, could well act as a model for other similar projects in many communities. We entirely agree with this opinion, and we further consider that the design level for both this and the other Co-op proposal on Sanford Street, is much superior to the majority of proposals which have been submitted to us." In order to protect the funds which had been reserved for the Co-operative, the Branch Office after notifying Head Office, issued an official commitment

letter on 29 December 1970. The amount of the loan was the same as the amount formerly approved in principle in August 1970. Table 8 gives the basic statistics on this proposal:

Table 8

Blessed Sacrament Site Proposal - As of December 1970

Unit Type	# of Units.	Approved Monthly Charge for Fully Serviced Accommodation	Maximum Family Income Based on 30% Gross Debt Service Ratio
Sr. Citz.	8	100	4,000
1-bdrm.	16	125	5,000
2-bdrm.	36	145	5,800
3-bdrm.	20	170	6,800
	80		

In early March, the Co-operative notified CMHC that they would not be proceeding with the Blessed Sacrament proposal, but requested that the funds which had been allocated for this project continued to be available for another project which they might develop. The Corporation, after some internal discussion, agreed and notified the Co-operative that "the amount of $1,141,000 which was set aside out of the Corporation's 1970 budget for the original proposal will be earmarked for 1971, and will be available for any revised acceptable proposition which you might submit to us in line with the original proposal". The Corporation also acknowledged in their letter that they realised that the problems involved in developing such a project were very difficult and the Co-operative was not at that point actively seeking a site. Parkinson concluded that, "I do hope, however, that the knowledge that financing

can be made available, if an acceptable site and suitable proposal can be produced, will encourage your to redouble your efforts in this direction. Needless to say, you can be assured of every assistance and co-operation from this office." Assistance and co-operation of this nature is certainly quite unparalled with recent co-operative projects.

Two Projects, Too Much?

The Co-operative as a group with no prior experience in development was clearly taking on a great deal when it attempted to package two projects and guide them through the complex municipal and mortgage arena. There is little doubt I think that the fact that they were grappling with two projects did delay their completed application to CMHC on the Gethsemane project. This was particularly true of the architect who, during the Fall, was devoting considerable time to the attempt to find a formula for the Blessed Sacrament site which could meet with the requirements of the Planning Board and yet be economically feasible. However, the critical time path on the Gethsemane project turned out not to be the application or the project design, but rather the objection to the by-law which necessitated proceeding through to the Ontario Municipal Board. As a result, no net time loss was incurred through the Co-operative's attempt to package both projects during the Fall of 1970.

I think it can be argued quite strongly that the net effect of their grappling with both projects was a tremendous increase in their knowledge of how housing projects are developed. Doing two different projects at the same time gave opportunity for the kind of comparative learning which is so much more fruitful than one shot efforts. Both the Co-operative and CMHC

perceive this to be the case. This is one of the reasons why CMHC has encouraged the Co-operative to find another proposal to replace the original Blessed Sacrament site project.

Central Mortgage and Housing Corporation

It should be clear from the account of the development of the two projects, that CMHC's Branch office could hardly have been more helpful. This was not always CMHC'c position. The Co-operative's impression was that CMHC initially had had no previous experience with a co-operative and so was quite unenthused about a co-operative project. They were not negatively prejudiced towards it, they simply regarded it quite disinterestedly. Very soon, however, they became convinced of the trustworthiness and good judgement of the Co-operative group and at that point began to do everyting possible in order to see that the projects went forward. As Branch Office stated in a letter to Head Office on 20 November 1970, "We believe that the Co-op group is a sincere body of public spirited individuals who have already learned much from their involvement and inexperiences of the Sanford Street proposal." The Manager of the office more recently expressed the same sentiments in an interview. He enjoyed dealing with the Co-operative because he trusts them. He feels this puts co-operative projects in a very different league from entrepreneurial Section 15(16) projects. These, he regards, usually try to gouge the Corporation, and the residents, by pushing the regulations of the Act to an extreme.

The key intervention points of CMHC in the course of this project would seem to be the following:

a) Encouraging the Co-operative group to develop and submit both proposals during July of 1970 and arranging for extremely rapid approval in principle on both.

b) A generous evaluation of the Gethsemane proposal after costs had risen substantially by the time the official application was filed in November 1970.

c) Keeping open a fund reservation for the Blessed Sacrament project, even when it became clear that a 1970 start was impossible and a 1971 highly unlikely.

d) Arranging for an increase in the amount of the Gethsemane project loan in June 1971.

During all this period the Corporation dealt with the Co-operative in an extremely straightforward manner and convinced the Co-operative of the Corporation's good will.

The Corporation's assistance to the Co-operative has continued through to the area of mortgage advances. The Corporation has made clear to the Co-operative that they would advance on any reasonable basis which would assist the Co-operative in meeting their cash requirements. Accordingly, even prior to the commencement of construction, the Corporation advanced $99,000 to the Co-operative for land purchase and municipal fees which had already been incurred by the Co-operative. The Branch manager realizes that this is hardly normal procedure and might not be enthusiastically received at Head Office, but he feels that it was necessary and the Corporation was taking no undue risk by proceeding in this manner. The approach is certainly unique to the London office.

The only area in which there was some difficulty between the Co-operative was in the area of income policy for

the units. The three commitment letters which CMHC has issued for the two projects (December 1970 and June 1971 for the Gethsemane project, and December 1970 for the Blessed Sacrament project) have all miscalculated the maximum allowable family income for each of the unit sizes. In each instance the maximum income has been based on a 30% gross service ratio. Since 30% of income devoted to shelter cost is the maximum which the Corporation is supposed to allow in ordinary situations, it is apparent that the 30% ratio should produce the minimum income required for occupancy of any given unit. This has not yet caused any great difficulty with the project because the Co-operative has taken a more flexible approach and not become unduly concerned with the CMHC calculations. At the present time, they are discussing this matter and it is expected that the more normal income range of 30% to 21.7% G.D.S. ratio will eventually be agreed upon. It is interesting to note, however, that in this instance also the Corporation has miscalculated the appropriate amount of income to be devoted to monthly charges in these co-operative projects.

Conclusion

The result of this process should be a well organized, co-operative project. Reviewing the situation, the key ingredients seem to have been:

1. A CMHC office which went out of its way to be of assistance to the Co-operative.

2. A Co-operative group consisting of alert, concerned individuals with sound organizational backing, high energy levels, and extremely good judgement.

3. The involvement of an architect who was able to deal with the contractor in pricing the project.

4. The assistance of co-operative advisor, whose chief role was to assist the Co-operative group in putting together the development team, and subsequently in advising them in negotiations with CMHC and the professions. The Co-operative consultant has also developed extensive financial analyses for the co-operative and guided them in this area.

5. No major adversaries, with the exception of a rear-guard action from one developer and some fairly traditional resistance at City Hall.

3. Co-operative Dwellings Association of Windsor South-East Windsor Proposal

Background

In the summer of 1970, CDAW was preparing to open Solidarity Towers. Since the project had been going well and the response to it had been very good, it seemed a propitious time to attempt a second development.

There are two major contractors in the Windsor area. The first constructed the Solidarity Towers building and the second, William Docherty, operates Riverside Construction. With the assistance of Mr. T, Pickersgill, formerly Ontario Regional Supervisor of the Corporation, Docherty in conjunction with Alcan, was planning a 100-acre development in the south east area of Windsor. A proposal was made to the Co-operative to develop 30 acres of this site with 450 units of row and apartment housing. Some of the apartment units were designed to facilitate accommodation for physically handicapped persons. The self-serving rationale with which this was done deserves quotation. "We believe this would be regarded as an interesting feature of the

total project which would increase the prospect of the total project being financed under the special federal housing program."

Four days after receiving the proposal, John Steel, Chairman of the CDAW Development Committee, forwarded the proposal to the Corporation requesting a loan of $5,745,315. Despite a number of concerns about various elements of site and unit planning, the Branch Office recommended the proposal to Head Office on 23 July with "no hesitation".

Not having had a response from the Corporation by the end of August, CDAW sought the assistance of Windsor area M.P.'s including Herb Gray, Minister of National Revenue. These M.P.'s interceded with the Minister on behalf of the project.

The Corporation does not seem to have been delaying its evaluation of this project. Head Office was aware, however, that a proposal from the City of Windsor would be shortly brought before them. There was understandable concern both as to the number of new units which the Windsor housing market could absorb and the relative percentage of the $200 million funds which could be allocated to Windsor. The response of the Corporation was affected both by these considerations and by the planning limitations of the CDAW proposal as presented. As a result, the Corporation decided initially to make a preliminary commitment for the 200 row housing units but to defer further consideration of the additional 250 apartment units.

This position was communicated to the Co-operative in mid-September, by which time, the Corporation had received an application from the City of Windsor for a loan for 550 units on land donated to the City by the Ford Motor Company.

Quite understandably, neither the Co-operative, Alcan, nor Riverside were very pleased to have the scale of the project reduced. The Minister's office had suggested that CDAW seek a loan from an approved lender for the balance of the project. CDAW does not seem to have actively pursued this possibility, but Alcan was able to obtain a loan commitment for the project but at an interest rate of 10 1/8%.

The Co-operative attempted to arrange further political intervention and at a meeting at Head Office in early December the Corporation agreed to finance the balance of the project with a market interest rate loan.

Later that month, however, it became clear that Alcan was still unwilling to proceed with the project.

Conclusions

The process of this aborted project makes clear the need for CDAW to have development expertise within its organization. They had no actual agreement with Alcan or Riverside which could have been used to compel either organization to proceed, even after CDAW had gone to some lengths to ensure the availability of financing for the project. Furthermore, during the period of October and November, when discussions of the comparative merits of the CDAW and the City of Windsor proposals were underway, the role of one man was particularly central. This person was John Steel who was the chairman of the CDAW Development Committee but was also the City Manager of Windsor. As such, he was responsible for the direction of both projects. When it became clear, and it was clear to all parties, that the fate of the Co-operative was related to the potential success of the City proposal, then it is hard to see how he was not

involved in a conflict of interest. Furthermore, Docherty of Riverside Construction, received the contract to develop City lands. In short, the only one of the parties who was involved in the proposal and who lost, was the Co-operative.

4. Co-operative Housing Association of Manitoba: Willow Park East

We have previously reviewed the development of the Co-operative Housing Association of Manitoba and their first project, Willow Park. CHAM had applied for a much larger site than was eventually used for the construction of the 200 units of Willow Park. An additional portion of the site originally sought had been used for the Burrows-Keewatin federal-provincial housing project, but a considerable amount of vacant land still remained. CHAM had continued to seek the use of this land for extensions to Willow Park. They had, however, constantly run into a rather heavy head-wind and nothing had been accomplished.

The arrival of a new government in Manitoba in 1969 improved the position of the Co-operative since the Co-operative solicitor now became the provincial Finance Minister. With the moral support of the province, they were able to obtain the concurrence of the City to the leasing of additional land.

With the land in hand, CHAM proceeded to draw up a site plan and requested a loan from the Corporation in March 1970. The original proposal was extremely sketchy and difficult for the Corporation to review. There was also some concern within the Corporation that the project as planned really did not have any innovative or special features which would commend it to a loan under the $200 Million special program. The Co-operative Housing Foundation, however, recommended the project as one of

the "experimental" projects to be financed pursuant to the agreement with the Minister in October 1960. Eventually, a loan for 58 three-bedroom units was approved.

CHAM, The Developer

CHAM had decided in the late 60's that additional projects would be developed directly by the organization without using a general contractor. Scotty Borgford, the long-time President of CHAM, went on staff with the promise of a loan being made available for Willow Park East. Borgford used his engineering background to prepare the site plan and unit designs for the project. No architectural assistance was employed.

The layout and designs of the units are very undistinguished; in fact, that is a generous comment. The size of the three-bedroom units is listed in the original appraisal documents as 824 sq. ft. When it is realized that this is distributed over two floors, it becomes obvious that the units are bound to be quite cramped. In fact, they are certain to be even more cramped than that figure would indicate since the actual size of the units appears to be somewhat less than 800 sq. ft. CHAM's aim in this project was to produce the most economic unit possible so that housing could be provided to very low income families. It is foreseen that some of the families will actually be present residents of Willow Park.

In order to act as general contractor, CHAM has expanded its staff. The construction seems to have gone moderately well, though it is somewhat behind schedule. The major problem is with the basic design of the units and the location of the project in respect to the already developed Willow Park.

It was originally planned to have a day care facility and a few stores included with the development of this proposal. In the final event, however, these facilities were relegated to a third phase. It is intended that the lands leased by the City will be completed with the development of the facilities just mentioned, and the addition of a small, senior citizens project and additional family housing. CHAM would like to proceed on the senior citizens project as soon as the present project is completed.

Interim Financing

As in the instance of Willow Park, the Corporation has stipulated that no advances will be made until 50% of the units have approved applicants. This is a slight change from Willow Park where the requirement was that 50% of the units would have to be occupied. CHAM, however, has not carried out its selling campaign yet and as a result does not have applicants for 50% of the units. As of September, they had 5 units occupied, and simply by word of mouth, had applicants for several additional units. CHAM has been obtaining interim financing for this project from the Co-operative Credit Society of Manitoba. The ability of CCSM to advance funds to CHAM has been greatly facilitated by the provincial government agreeing to deposit some of its funds in CCSM. As of this Summer they had deposited $1 million in CCSM and, although this was not formally linked with the loan to CHAM, it has had a material effect on their ability to be able to make it.

Conclusion

The interesting aspect of this project is the entry of CHAM into the area of direct construction. At this point it

is premature to be able to evaluate their performance on this project. As we will explain in a later section which looks at the organizations of co-operatives, it would also appear that their performance on future projects will be considerably better because they have broadened their staff to include architectural services and persons who possess a more sophisticated sense of design requirements.

Since this project will not be occupied by key personnel of CHAM as was the case in the first Willow Park project, and since it has been organized as a distinct co-operative corporation, the process of CHAM's developing the ability of the co-operative to operate the project should also be monitored. In the Summer of 1971, Willow Park hired a full-time manager for the first time on the understanding that his duties would be broadened and the cost of his services shared by the Willow Park East project. Even with the presence of an individual in this capacity, considerable deliberate effort will have to be made to turn Willow Park East into a viable co-operative organization.

5. Co-operative Habitat Association of Toronto: Ashworth Square Project.

Background

Co-op Habitat is a co-operative whose membership is the same as its board of directors. These persons are professionals who are interested in providing their services to the organization so that it can assist in the development of non-profit and co-operative housing. The present board of directors contains architects, solicitors, real estate salesmen, professors and a social worker. Earlier this year, with its Cooksville project about to begin construction, it hired its first full-time

staff member, Mr. R.W. Van Alstyne who was previously the president of the organization. Prior to his employment with Co-op Habitat, he was a planner for the local planning board.

In the past three years, Co-op Habitat has explored a number of ways in which co-operative housing might be developed. Initially, it received its technical assistance from a local consultant who developed a very complicated scheme whereby the Co-operative could develop low income housing by developing a series of market rental projects, the profit from which would be used to assist the development of lower income projects. After some period of time, the Board of the Co-operative finally saw the unreality of this approach and the relationship with the consultant was broken. Their second attempt was to purchase an existing apartment building and re-finance it using limited-dividend funds. They felt that it was important to obtain a quick start on a project, and this would be the most effective way of achieving this. The Corporation however gave no encouragement since it thought that scarce limited-dividend funds should be used to encourage the development of new projects.

Co-op Habitat finally decided to build a new project and after some examination, decided to use a limited proposal call. In this proposal call, proponents were initially requested to come in with simply a piece of land and with approximate prices for units; drawings and full presentations were not required at this point in time. It was planned that, from the submissions received, the three offering the most attractive sites and prices would be requested to prepare more comprehensive proposal call documents. In the final analysis, only one really interesting proposal was received and negotiations were carried out with that firm. The firm, the residential subsidiary of Vroom Construction, was awarded the project.

Very early on in their history, Co-op Habitat approached the United Church and after some discussion, were appointed by the United Church Housing Committee as their enactment organization. The principle effect of this designation was to make available to Co-op Habitat the $100,000 which the National United Church had reserved for activity in housing. The criteria which accompanied these funds placed a high priority on developing housing which contained "qualities for living". The Church was specifically concerned with the problems of high-rise living in dense, downtown situations.

Ashworth Square

The site which was offered by Vroom was located in an area containing medium height apartment buildings constructed in the past decade. The site was still heavily forested with mature trees, many of which would be retained through the adoption of the proposed plan. Shopping facilities were nearby. The site was, furthermore, well located with respect to transportation facilities to downtown Toronto and to northern and western parts of the province.

The basic plan proposed by Vroom was a series of three blocks of stacked, row housing on the two sides and rear lot line of the project together with an apartment building in the front of the site. The apartment building would devote most of its ground floor to communal and recreational space for all the residents of the project. The total number of units was 153. The breakdown and relevant characteristics are as follows:

Unit Type	No. of Units	Sq. Ft.	Monthly Charge
1-bedroom	20	700	$130
2-bedroom	61	900	160-174
3-bedroom	66	1030	181-193
4-bedroom	6	1154	207-209

Central Mortgage and Housing Corporation

The Corporation had been in contact with Co-op Habitat for some time in connection with its previous attempt to develop a project. The Corporation was aware of the commitment of United Church funds to the project and regarded this as a major step forward. Furthermore, the proposal call had been sent to the Minister who had responded with a letter expressing interest but no commitment.

When the actual application was brought into CMHC on 28 June, the Co-operative was actually in a crisis situation because the developer's otion on the site was about to expire. The Corporation went to considerable pains in order to complete a rapid evaluation of the project and, facilitated by the decision-making techniques utilized under the $200 Million program, an early preliminary commitment was given. Without these special considerations shown by the Corporation in this instance, it was doubtful as to whether the project would have been preserved.

Co-op Habitat has not been quick to organize the actual co-operative composed of the eventual residents of the project. Their longer term objectives, of course, were to develop a number of projects of which this was but the first. They intended to act, that is, as a conventional development co-operative or mother society. In fact, it was not until September 1971 that they approached the Corporation and brought forward a proposal for the eventual transfer of the project to the daughter corporation. CMHC seems to have been somewhat taken aback by this and responded that the Corporation has not accepted the mother-daughter approach and would not do so in this instance. This matter is still under discussion at the present time.

When the Corporation proposed in the Summer of 1970 that a form of internal subsidy be arranged on co-operative projects by using the surcharges paid by members with higher incomes to support those residents who could not pay the economic rent, Co-op Habitat was one of the first to respond with a concrete proposal. This proposal has now gone through several revisions and its most recent version is dated 12 July 1971. The essence of the proposal is as follows:

1. The surcharge is calculated so as to eliminate the benefit a surcharge member would otherwise receive from the below market interest rate. The surcharge becomes applicable once a member is paying less than 21.7% of his income for a totally serviced unit. The full amount of the surcharge varies from $10 per month on a 1-bedroom unit to $18 per month on a 4-bedroom unit and would be applied in two steps. For example, a resident of a 1-bedroom unit would pay a surcharge beginning at that point when his annual income exceeded $7,100 a year. The initial surcharge would be $5 per month. If his income rose to beyond an annual figure of $7,400 per year, then the surcharge would increase by an additional $5. There would be no increases beyond this point, since the interest subsidy would be regarded as having been eliminated by the increases.

2. The maximum subsidy to be made available to any member family would be approximately 50% of the principal and interest portion of the monthly charge of their unit. This is approximately the same as four times the surcharge on any given unit. In other words, on a 1-bedroom unit, the maximum surcharge would be $40.

3. The initial profile of incomes will be 70% unsubsidized, 20% surcharged, and 10% subsidized.

4. Incomes of subsidized families will be adjusted annually and those of unsubsidized and surcharged families will be adjusted every two years.

The Corporation has agreed with this approach in principle and final details are presently being established.

Co-op Habitat intends an active program in cooperative and non-profit housing. They are presently planning to also provide services to condominium corporations, beginning with a project of Vroom's.

E. The 1971 Projects

1. United Co-operative Housing Society: De Cosmos Village, Vancouver.

Background and Organization

In 1968, Rick English of Western Co-operative Housing Society, approached the City of Vancouver together with church, labour and credit union officers. The City at this time was planning the development of Champlain Heights. The group requested the City to reserve a parcel for co-operative use.

Shirley Schmid, who eventually became the main organizer of the co-operative, was introduced to the project in October 1968 when she met Rick English at the Canadian Conference on Housing in Toronto. She was subswquently hired on a part-time basis to do organizational work in Vancouver.

They very deliberately built-up an initial board of directors chosen because of thier particular area of competence. Thus they drew in persons familiar with mortgage financing, accounting, credit unions and co-operative. One member of the board also had considerable experience in negotiating construction contracts.

When Western collapsed in the wake of the Port Alberni project, the nascent group in Vancouver had to do an immense amount of work in order to keep the land, which had tentatively been reserved for co-operative use available to a co-operative. Since there was no other co-operative organization around, it was clear that if co-operative housing could retain its credibility, United would be able to develop a project on the site.

In the end, the significant negotiations with the City did not involve whether or not United would get the site; it involved the terms on which it would be available. The City had suggested and then became quite adamant about a lease rate of $55,000 per acre at 7%. This would have made the total amount $385,000 since there were 7 acres involved. The Co-operative presented a case for the reduction of the principal, on which the lease would be based to $210,000. In the final analysis the Co-operative and the City finally agreed at 80% of $385,000 at 8% per annum.

The site that they obtained is extensively wooded and very well situated with respect to the facilities required by residents. The plans for the site will retain as much of the natural vegetation as possible.

Given their orientation, it is not hard to understand why United would attempt to secure labour support for the project. They were able to obtain financial support from both the B. C. Federation of Labour and the United Brotherhood of Carpenters and Joiners, Local 452. Each of these organizations provided United with $5,000 loans which were interest free and repayable only in the event that the project was successfully completed. These funds gave the Co-operative the seed money which they needed in the early stages of organizing the project and undertaking the preparation of preliminary design drawings.

The balance of the financial support required came from the United Church who agreed in September of 1970 to loan $5,000 at no interest and $95,000 for 2 years at 6% interest. These funds were made available by the National Board of Evangelism and Social Services. Since at the point that the loan was made the project had not yet been confirmed, the funds were deposited with the Co-operative Trust Company in Vancouver who agreed to act as trustee until such time as all arrangements required for the project had been completed.

The Project

Initial planning of the project was made easier by a municipal condition in the leasing of the land that three-quarters of the site would be utilized for 3-bedroom units. In actual fact the percentage of 3-bedroom units is slightly less than 75%.

The actual architectural design and site planning was undertaken by Francis Donaldson of Grosvenor International Ltd., the design subsidiary of the British firm. The Co-operative chose this firm because they were impressed by a town house project which Grosvenor had recently completed. The United project seems to have been also well designed.

Once plans were in hand, the Co-operative decided that they would use the skill of their architect and one of their board members to negotiate a construction contract rather than tendering. Accordingly, a contract was established between the Co-operative and Turnbull and Gale Construction Company Ltd. The Co-operative did carry out informal checks as to the price they had received from the contractor. They were drawn to this particular contractor because of the quality of his previous work.

De Cosmos Village: Basic Project Data

Unit Type	No. of Units	Sq. Ft.	Equity	Monthly Change	Income Range
2 bedrooms	31	925	1600	152	6000-8000
3 "	74	1044	1700	164	6400-8000
4 "	5	1240	1800	176	7000-9000

The project does not seem to have experienced any difficulties with the Corporation. The Corporation smoothly processed the application, and in fact, attempted to hurry the Co-operative along. The loan was made under Section 58 (40) and on terms similar to the 1970 loans. The Co-operative had been under the impression that they were applying for a Section 15 (16) loan, but they do not seem to have argued the Section 58 (40) loan when the commitment was made.

There is one aspect to this project which is a considerable innovation. Agreement has been reached between the Co-operative, City, Province, and the Corporation to provide 10 units to families requiring public housing assistance. The Co-operative would be designated a local housing authority in order to enable subsidies under Section 40 (35A).

The mechanics have been complicated because of the steps required to qualify the resident for the home owner acquisition grant. This requires a co-operative proprietary interest in the unit. The agreed upon process is that the funds for the share purchase will be advanced by the Corporation and the province, after which they will be held in trust by the resident. Residents who leave after 5 years will be able to take the accumulated equity contribution with them.

The agreement includes a process whereby selection will be jointly carried out by the Co-operative and the public authorities.

Needless to say, this is an innovation. It should be carefully monitored. The high degree of member involvement makes this project a sensible one to begin with.

2. The Citizens' Housing Committee of Metropolitan Toronto: The Alexandra Park Project

Background

The Citizens' Housing Committee traces its origin to a previous group called the Interfaith Housing Committee. The Interfaith Housing Committee had been created by Ted Mann, an Anglican cleric and professor of Sociology at York University. It intended to draw more churches into the housing arena on an ecumenical basis. They had not been going for many months when they realized that any effective action would require a large membership constituency.

Accordingly, they decided to broaden the membership of the organization to any persons interested in taking direct action in housing in the metropolitan area with particular reference to the inner city. CHC grew out of a few general meetings which were called in 1967 to discuss how a broader organization might be created for the express purpose of direct action in housing. These initial meetings were attended by 40-60 people, most of them members of the local elite or leaders of particular communities. Included were ministers, social workers, community organizers, women electors, students, tenants' rights representatives and a great variety of other urban activists. A number of aldermen were associated with the committee and a few Toronto Members of Parliament also formally joined.

The Committee at this point turned to how a project might be gotten underway. A great number of meetings were held on various possible projects. Committee representatives met a number of the major Toronto developers to see if they would bring forward land and a building. There was little interest among the developers and suggested sites were discovered to be embroiled in the midst of re-zoning or other controversies. After several months of effort it became quite clear to the Committee that finding land for a project would pose a substantial problem, especially if they sought land in the downtown area rather than out at the suburban fringe.

In late Spring of 1968 the Committee began work for a site in the downtown area near the Regent Park development. Land for it was to be made available through Revenue Properties. A site plan by-law allowing reasonably high density development had already been approved. The plan envisaged three high-rise towers totally 660 units. Some commercial space would be included and 10,000 sq. ft. of space was set aside for use as a community centre.[54]

At this point CHC approached the United Church Housing Committee to seek their financial assistance in advancing the project. The United Church Housing Committee had recently had funds set aside which they could use for seed money in non-profit and co-operative housing projects. CHC and the United Church Housing Committee struck a joint working committee to examine this particular project as a "demonstration project for social housing."[55]

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[54] See Confidential Preliminary Analysis of Possible Downtown Project, 26 June 1968.

[55] See CHC documents dated 26 June 68, 4 August 68 and 10 August 1968.

In the end, largely on the basis of incompatible personalities, it would seem that the United Church decided not to participate in this project and each committee went its own way.

Shortly thereafter, Revenue Properties disposed of its interest in the land. The site has sat vacant ever since.

Although nothing came of this particular proposal, CHC learned a great deal from the exercise. They were required to think through the many issues involved in development and also to negotiate potential projects with developers.

The Committee itself during this time was undergoing a sifting process. By Fall 1968, many members of the Committee had become disillusioned because of their inability to achieve a project goal. A number of others, however, were even more excited about the potential and more committed to the work that would be required in order to bring one about. Generally, the leadership group which remained consisted of persons with a long-standing and exceedingly active amateur interest in the City. They had no experience with development and tended to rely very heavily upon their consultants in this field.

After various set-backs, the Committee decided that the only way to obtain land would be through a public body willing to make it available on favourable terms. Meetings were held with a number of the boroughs and various representatives of the City of Toronto. Some work was done on a few sites, particularly in Etobicoke, but in the end it seemed that no project would be possible for a considerable period of time, and there was substantial risk that land in

the end would not be made available.

The Turn to Alexandra Park Urban Renewal Area:

The Land

It appears to have been June Rowlands who initially suggested that the Alexandra Park Renewal area would be an appropriate place for a low-cost housing project for CHC. Mrs. Rowlands had been an active member of the Association of Women Electors and as a result was well acquainted with City affairs and personnel. In November 1968, CHC approached City officials including Graham Emslie, Development Commissioner, a person responsible for the City urban renewal activity. He thought the proposal would complement the official urban renewal plan and agreed to support it. He suggested that CHC make a proposal to the City which would bring it to the Alexandra Park Co-ordinating Committee (APCC). This committee brings together representatives of the four levels of government.

CHC obtained the services of Tampold Wells Architects at no risk to CHC, and proceeded to develop a plan for two of the blocks of excess land in the area. The plan was then discussed with the City, particularly with Paul Ringer of the Development Department who was responsible for the implementation of the urban renewal plan. The local settlement house, St. Christopher's House, and a considerable number of agencies were interviewed and invited to become part of the project. Their suggestions led to a complete revision of the draft plan. For one thing, the number of units was reduced from 156 to 122 to avoid an excessive load on the school.

Finally, CHC costed out the proposed plan and submitted a proposal to the City at a meeting with Graham Emslie on 19 February 1969. The essence of the proposal comprised the following:

20 bachelor apartments	$ 95/month
20 1-bedroom apartments	120/month
40 2-bedroom apartments	140/month
30 3-bedroom houses	150/month
12 4-bedroom houses	165/month
c.5000 sq. ft. of community space.	

The proposal listed the following as basic principles:

"1. The project will be non-profit, rents will be a function of the cost of operation.
2. It will be operated democratically by the residents.
3. It will be developed and operated as an integral part of the Alexandra Park community."[56]

The balance of the nine-page proposal provided information on the basis for the plan and the proposed co-operative.

The immediate issue, which CHC was perfectly aware of, was whether the four levels of government could be convinced to negotiate with CHC for the disposal of the property rather than going through a competitive tendering process. Graham Emslie brought the matter before the next meeting of APCC on March 3, 1969.[57]

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56 Proposal for a Co-operative Housing Project in Alexandra Park, p.2.

57 Minutes, Meeting No.63, #6.

At the next meeting of APCC, there was, according to the Minutes, no mention of the CHC proposal.[58] A month later, the province had expressed interest in seeing the proposal pursued further, but CMHC had still not reacted.[59]

According to the memory of one of the CHC members, the CMHC representative was away for an extended period of time due to a confluence of illness, holidays and a French course. The CMHC Branch manager, wrote to CHC on 7 May, saying that he would ask his staff member "on return to this office on Monday next, to give this matter top priority." He also mentioned that achieving a substantial land write down would be a "difficult hurdle".

CHC, after having heard from the City and CMHC that no action had been taken on their proposal by CMHC, decided to write to the Minister. A letter was sent on 28 May. After mentioning the nature of the project, it stated:

> " Mr. Hellyer's Executive Assistant, Mr. Axworthy, wrote to the Chairman of the Partnership Committee on March 17 commending the project. It has received support from both the municipal and provincial levels of Government but has recently run into some head-wind at the Central Mortgage and Housing Corporation level."

A meeting with the Minister at his convenience was requested. Andrew Brewin, M.P. also spoke to the Minister who replied that the project is "pretty exciting".

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58 Minutes, Meeting No. 64, 8 April 1969.

59 Minutes, Meeting No. 65, 5 May 1969, #6.

There was further contact in June 1969 between CHC and the Minister's office. Finally a reply to the CHC letter of 28 May was drafted, but the original is still in the CMHC file. It is dated 18 July 1969, and bears the notation "In view of the long delay in replying to this letter. No action taken - letter not sent." A.D. Wilson.

Just prior to the CHC letter to the Minister, CMHC Toronto office had written two letters to Graham Emslie which have a bearing on this project. The first, dated 26 May 1969, notes,

> "In the matter of the land, there was a suggestion in your land disposal proposal of April 15 for Alexandra Park of possible direct negotiations with the Citizens Housing Committee on the basis of partial or complete land cost writedown. We do not believe that this would be a proper method of disposal since the lands in which the Co-operative are interested represent the major parcels of land in Alexandra Park which are intended for private redevelopment. Also, a number of earlier inquiries and overtures from non-profit organizations seeking land for similar purposes in the same urban renewal area were discouraged.
>
> On earlier occasions we have mentioned that the redevelopment densities indicated by the City for the private land represent, in our view, under-utilization of the multiple blocks. We think they will project uneconomic proposals for the normal major residential developers and little interest is likely to be displayed by them, or, if interest is shown, the prices likely to be offered will be very low."

This makes it very clear that CMHC wanted the "normal major residential developers" into the area and was discouraging non-profit groups. This is one of the more blatant examples of a value preference in favour of the

developers. The City Development Department however, had deliberately kept the parcels relatively small and irregular, even when this required leaving hardly prime housing in place to do it, precisely in order to discourage the "normal major residential developers". The City realized that they would bring little to the Alexandra Park area.[60]

On May 27, the CMHC representative again wrote to Graham Emslie to state his disagreement with the course APCC had been following (in his absence) in respect of land disposal. Much of his disagreement was focused on City interest in negotiating the sale of particular parcels back to their original owners:

> "As mentioned on earlier occasions, it is a fundamental principle of ours that lands which have been acquired as part of an urban renewal scheme through public funds and which are intended for private re-use are to be disposed of by competitive bidding."

At the meeting of APCC, the CMHC letter was discussed. It was plain that the City and CMHC disagreed.

> "Miss Waring stated that as a matter of clarification she would like it noted in the minutes that the lands she was referring to in her letter of April 23rd in which it was stated that the Province was generally favourable to the idea and willing to go ahead with the proposal of the Citizens' Housing Committee, were those lands mentioned at the previous Co-ordinating Committee.
>
> Mr. Emslie read the major points which were stated in the letter from CMHC dated May 26th. A discussion followed on this item during which Mr. Emslie stated that this plan gave a population mix and also pro-

60 From interview with Paul Ringer.

vided family accommodation and this was what was needed in the area.

It was decided that this item would be discussed at the special meeting of land disposal."[61]

The Special Meeting referred to took place on 10 June, but the minutes make no reference to CHC or to parcels 25 and 31.

At the next meeting of APCC, the City reduced their support for the CHC proposal and it was decided to put the parcels up for open bidding.

> "Parcel 24 - The current situation with regard to the Citizens Housing Committee proposal was discussed briefly and it was the concensus of the meeting that the property should be placed for open proposal call or lease and that the proponents of the scheme would then be in a position to bid on the open market."[62]

This was conveyed to CHC who responded in a letter of September 2nd which was brought to APCC on September 8th. No further action was taken but it was made clear that price would not be the only consideration in judging submissions.[63]

CHC resigned themselves to the long wait before the land would actually be put up for tender.

In the Fall of 1969, CHC continued to work on the project, they reworked designs and did additional cost studies.

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61 Meeting #66, 2 June 1969, #5.

62 Meeting #67, 24 June 1969.

63 Meeting #69, September 1969, p.3.

On 5 March 1970, the Minister visited Toronto and engaged in an extensive discussion of the project with Mrs. June Rowlands (at a Liberal party dinner). Two weeks later, CHC sent a brief to the Minister, requesting that in view of the increased Section 15 (16) interest rate and construction costs, additional assistance would be necessary to enable the project to meet the budgets of families in the \$5,000-\$7,000 income range.

CHC suggested the following alternative means of providing assistance and requested the Minister to advise them on his preference.

1. A one-time write down of land costs provided that the title would revert to the City or partnership after the useful life of the project had been exhausted.

2. A long term lease at nominal cost.

3. An interest rate subsidy of 1% which would enable them to purchase the land for \$200,000.

On April 1st, a reply was prepared by A.J.E. Smith for Dan Coates' signature. For some reason, it was never sent. Perhaps because the reply did not really deal with the issue CHC had raised. The reply states that "an interest subsidy does not appear to me to be the proper way for the Federal Government to assist you." But the best alternative offered is a land lease at a value per unit of \$1,000, and a ground rent based on the interest on CMHC direct loans which stood then at $9\frac{1}{2}$%.

Not knowing that this reply had been prepared, CHC felt free to approach the Minister prior to the tender date.

This, however, was not the only route CHC was exploring. It also presented the matter to the City Committee on Urban Renewal, Housing, Fire and Legislation who unanimously approved the following recommendation. It was adopted by City Council on 30 April 1970. The City Clerk sent copies to H.W. Hignett and the Minister and the latter acknowledged receiving it.

> "Your Committee recommends that whereas land in Alexandra Park has been cleared in accordance with the urban renewal plan and is to be disposed of for private development; and whereas interest has been shown by a group in developing a site with co-operative housing; and whereas such group would provide housing accommodation which is urgently required in the City of Toronto; and whereas the land is presently owned by the City of Toronto in partnership with the Federal and Provincial Governments; that a policy be adopted that this land be put up for sale or lease, with a preference for leasing, at the earliest possible opportunity but in the consideration of the disposal of the land priority consideration be given to the development of co-operative housing on the site; that the price offered for the land shall be of secondary consideration in relation to the development of such co-operative housing; that the proposal of the Citizens' Housing Committee be commended to the Urban Renewal Partnership; that it be acknowledged that the Redevelopment Plan by-law may require amendment to give effect to the leasing of the subject lands; and that the necessary Civic Officials take whatever steps necessary to give effect to the foregoing.
>
> Respectfully Submitted,
>
> Karl Jaffary,
> Chairman.
>
> COMMITTEE ROOM
> Toronto, April 16, 1970."

CMHC Head Office reacted in a letter to the Toronto office on May 25th, pointing out that the land value would be $1000 a unit, and that controls on income and return would be required. The conditions advanced in the Ottawa lower Town East project were used on a precedent.[64]

This so-called precedent, however, concerned a very different situation. The Lower Town group in Ottawa were largely home owners in the area. Their ability to pay was considerably different from the target population for the CHC project. This alleged precedent seems first to have been raised by A.D. Wilson in a note to H. Linkletter in connection with the draft reply by Coates to CHC on 1 April 1970.

Following this communication from Head Office, the Toronto office dutifully informed the City of the requirements.[65]

It is worth noting that a rearguard action was fought by W. Dayal, Toronto Branch Architect/Planner. He encouraged revision of the land tender documents to enable the CHC proposal to be negotiated directly. He argued that this proposal, in addition to one for single people, should be negotiated, and that CMHC should even consider negotiating with private entrepreneurs because interest in the areas was not great.[66]

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64 D.J. Monroe, U.R.& P.H. Division to Manager, Toronto Office.

65 D.V. Christenson to G. Emslie, 12 June 1970.

66 See p. 10 of "The Development of Alexandra Park" 23 April 1970 and letter of same date.

The CMHC representative, from the tone of his letter of 5 May to Head Office, took umbrage at this approach. He argued that CMHC is a passive financing partner in the urban renewal process and could not take the kind of initiative Dayal seems to have suggested. (Dayal does not suggest any initiatives; he just urges the Corporation to be supportive rather than obstructionist.) The CMHC representative, quite ironically, concludes by urging quick approval to the proposed tender documents - "at least one Co-operative Group is anxious to proceed."

CHC was told throughout the Summer of 1970 that the land tender documents would be ready soon -- and they finally were. Tenders were due into City Hall on 15 September.

At this point, CHC made a concerted effort to obtain the backing of all three levels. The City, Executive Committee and the Mayor were approached. Two members of the Executive Committee said they would support a ground rent of $1.00/year. Another said he would support anything reasonable, and the fourth said that a small but nominal sum should be paid. They all found the $25/unit/annum suggestion reasonable. Stuart Summerhayes, who had run for the Progressive Conservative party in a provincial election, obtained the support of the province.

CMHC, however, was still sticking to their "precedent".

CHC sought federal political support. The Hon. Donald S. MacDonald requested the Minister's assistance in meeting the terms suggested by CHC. Charles Caccia arranged a meeting with the Minister on 14 September, the day before tenders were due.

The Corporation's response to a note from the Minister's office was a copy of the reply to the CHC draft on 1 April.[67] This meant that $1,000 at 9½% and was too high to enable CHC to meet the $5,000-$7,000 income group. The Corporation certainly seemed determined.

Three CHC representatives met Mr. Hignett and the Minister. The CHC case was explained. When it was pointed out that it was a matter of $7.00 per unit per month in issue, and that the Corporation seemed to stand on neither precedent nor sound argument, the Minister decided in favour of CHC.[68]

The Minister confirmed the arrangement in a letter to the Hon. Donald S. MacDonald on 21 September, 1970. The key paragraph states:

> "You may be aware that I met with representatives of this group on Monday, September 14th. At that time, they informed me that the City of Toronto was prepared to lease them land for construction of 100 housing units at a rental of $2,500 per annum. I indicated that if this were the case, then Central Mortgage and Housing Corporation would be prepared to agree to this arrangement, subject to the proposal being acceptable to the other aspects, and subject of course to the concurrence of the Province of Ontario."[69]

With this agreement in hand, CHC submitted their proposal to the City on 15 September 1970.

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67 F. Coll to Richard Dicerni, 14 September 1970.

68 See CHC memo to file on meeting.

69 Robert Andras to Donald S. MacDonald, 21 September 1970. Mr. MacDonald informed CHC of Mr. Andras' reply in a letter of 1 October 1970. There is also a CMHC memo to file by D.J. Monroe.

Approval of the Land Lease

From an economic standpoint, the tendering process was not a great success. Prices offered were considerably below the estimated market valuations. CHC was the only bidder for one of the two sites in which it was interested, even though the tender documents made no mention of any special considerations. For the other site there was one additional bidder, a small contractor who had submitted tenders for a great many sites in the area. It was difficult to view him as a serious contender for a substantial project.

One would think that the lack of competition coupled with the concurrence reached prior to the submission of the tender, would have made the approval process brief and almost pro forma. It took, however, two months for the offer to reach APCC, and it was not recommended to the Corporation Executive Committee until 22 December. The only change which had been introduced during this time was a Toronto office condition that the term of the lease be reduced to 50 years; market housing for 75 years; non-profit for 50 years. (Later, when a forty-year mortgage was provided, the Corporation was to suggest that the lease be correspondingly reduced to forty years.)

The Corporation's approval was contingent upon the number of items advanced previously, including priority to former residents of the area, controls on speculation, incomes, and design, and review of ground rent every five years after the first ten.[70]

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[70] A.J.E. Smith to Secretary, Executive Committee, 22 December 1970.

Two months later, on 25 February 1971, the City Executive Committee approved the leasing of the two parcels to the CHC.

The CHC now had the land.

Elapsed time since the initial submission: 2 years, 6 days.

The Loan

CHC evidently submitted a loan application during the Summer of 1969 in the expectation that the land would be made available to them.

CMHC responded in a letter of 1 August 1969, that they could not consider the project for a Section 15 (16) loan because of the "sketchy form" of the proposal and because the land was not yet controlled by CHC. (The allegation that cost estimates and rent structure had not been provided was false: Branch Office had even forwarded them to Head Office.) The letter closed by saying that it would not likely be possible to consider a loan during the balance of 1969, and that no assurance could be given with respect to 1970.

Discussions were held between CMHC and CHC in the Fall of 1970, as the CHC application for land was gradually being processed. CHC enquired if a loan application should be made at that time. CMHC said it was not necessary. Section 15 (16) funds were no longer available for 1970 and it would take some additional time for the land agreement to be made. CMHC did agree that the application should be made under the Section 15 (16) of the NHA.

In late January 1971, CHC received word through the City that the CMHC Executive Committee had approved the land lease. CHC promptly filed an application with CMHC for a Section 16A loan "so that final arrangements on the lease and the loan could be made simultaneously.[71]

The letter went on to explain that:

> "The residents of this project will join an incorporated body which will also be a non-profit corporation. An agreement will be signed between the Society and the local corporation which will provide for the eventual transfer of title to the local corporation once it has been firmly established and sound operational procedures are in effect. The residents will be expected to provide a downpayment equivalent to 5% of the cost of their unit."

TABLE 9: BASIC PROJECT DATA

Unit Type	# of Units	Net Suite Area	Monthly Charge
4 person cluster	3		65
1-bedroom	24	477 sq. ft.	130
2-bedroom	37	700 sq. ft.	145
3-bedroom	8	909 sq. ft.	165
4-bedroom	29	1082 sq. ft.	170
5-bedroom	2	1182 sq. ft.	175
	103		

Total Cost:	$1,535,091	Average bedroom count:	2.5
CMHC loan:	1,458,336	Average unit cost:	$14,900
Equity	76,755		

CMHC replied the following day to CHC stating, "we are unable to deal with your application in a formal manner at this time" since allocations for various lending programs had not yet been received.

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71 Summerhayes to Connell, 1 February 1971.

The file was given a limited dividend number: 520-CLD-46.

CHC waited for two months and still nothing had been heard from CMHC. They then wrote to the Minister requesting assistance in expediting a loan commitment. One month later, Richard Dicerni, special assistant to the Minister, replied that CMHC was now in a position to deal with the application.

In fact, it seems that CMHC had done a preliminary analysis of the proposal. The appraisal report had estimated the cost at 95.8% of the CHC estimated cost, and so the loan requested was recommended.

The Toronto Branch Loans Officer, E.T. Connell, had noted in a letter to R. Duchesne, Assistant Director of Loans Division, that they had withheld further processing of the application until they had been "made aware of our budget allotment and priority system for 1971".

He further notes that the question has been raised as to whether this should be a Section 40 or Section 15 (16) loan. He notes that the facts that residents will supply equity and that the project will eventually be transferred to them makes it similar to the Co-op Habitat loan which had been a Section 40 loan. He also notes that the proponent is non-profit and is willing to enter into an operating agreement controlling rents and income occupancy requirements. Plainly uncertain, he requests the views of Head Office.

In late May, three members of CHC met with Connell and Christenson of the Branch Office to discuss Section 15 (16) vs. 40. The CMHC officials pointed out that the Act limits Section 40 loans to forty years.

The CHC members argued that the form of housing tenure was essentially rental. Christensen said that Section 40 couldn't be rental. Connell disagreed. They suggested that the loan could be Section 16 if only CHC would provide for a "kick-out" clause for those whose incomes exceed the upper limits. One suggested that it wasn't the surcharges which were the problem, it was the equity being put up by the residents.

Christensen suggested that CHC attempt a Section 40 if the surcharge for those over the limit became applicable. Connell seemed certain head office would rule Section 40, but he was not sure why.

It was clear to the members of CHC that if CMHC policy existed on this matter, that these representatives were not familiar with it. It was, however, suggested that CHC re-apply on CMHC Form 70 for a Section 40 loan. This was duly filed on 31 May 1971.

The Corporation's response was received in a letter of 15 July. It advised that approval in principle had been obtained, but that "there are some aspects of the application which are not acceptable, and others where clarification is required."

> "The proposal that this project be developed by a sponsoring 'mother' co-operative, with transfer to a continuing co-operative composed of the occupants is not acceptable."

CHC replied in a 4-page letter. The reply can be summed up in the following points;

(a) If CMHC had wanted to raise this issue, they should have done so some time within the past 2½ years, not now.

(b) The mother-daughter development technique has been stressed in briefs to CMHC by the Co-op Housing Foundation which the Corporation supported with a grant.

(c) Participation in the CHC project exceeded that in any other new housing in Alexandra Park.

(d) The mother-daughter model was being used because it was a sound development model.

(e) All CMHC loans to continuing co-ops in the past few years have been to mother-daughter co-ops.

(f) It is unrealistic to expect low income families to make commitments far ahead of project completion.

There has yet been no CMHC response, and a letter was recently sent to the Minister requesting his assistance.

The CMHC letter of July 15 also questioned the CHC income levels and surcharges suggestions. One of the persistent areas of confusion with co-operative housing

loans was whether the maximum and minimum percentages of income to be paid for housing should be calculated on the basis of the basic shelter cost (i.e., principal, interest and taxes) or on the basis of the total monthly unit charge (rent) and that with or without all utilities. The CMHC letter here is consistent as it refers to "rental or gross debt service".

In order to make housing available to the widest spectrum, CHC proposed to base the minimum income on the gross debt service (PIT, basic shelter cost) and the maximum income on the fully serviced unit rental (total monthly charge). Though this seems inconsistent (best of both worlds) it was clear to CHC that the normal minimum income would be 3.33 X 12 times the total monthly charge. But, they thought that some people or families might be able and willing to pay more because they, like many others, were doing it now. They didn't want them to be excluded on the basis of a fairly non-empirical calculation.

The real and normal minimum then was based on the total monthly charge and this seems consistent with practice elsewhere and with General Memorandum No. 344.

The maximum income had been calculated by CHC at 5 times the total monthly charge. They agreed to change it to 4.6 times.

These various figures are summarized in Table 10:

TABLE 10

CALCULATION OF MINIMUM AND MAXIMUM INCOME BEFORE SURCHARGE

(A) Unit Type	(B) PIT	(C) 3.33XB Min.Inc.	(D) Total Mo.Chg.	(E) 3.33XD	(F) B/D	(G) 4.6XD	(H) 5XD
SRC	47	1884	65	2600	38.3%	3600	3900
1-bedroom	93	3720	130	5200	42 %	7200	7800
2-bedroom	104	4158	145	5800	41.8%	8030	8700
3-bedroom	118	4716	165	6600	42 %	9140	9900
4-bedroom	122	4860	170	6800	42 %	9400	10,200
5-bedroom	125	5000	175	7000	42 %	9700	10,500

Notes:

(B) Principal, Interest and Taxes (Basic Shelter Cost or GDS)
(C) Minimum Income: i.e. B is 30% of C/12
(D) Total Monthly Charge, includes all utilities
(E) Normal Minimum Income: D is 30% of E/12
(F) Percentage of Income C/12 devoted to total shelter cost D
(G) Maximum Income: i.e. D is 21.7% of G/12
(H) CHC suggested Maximum Income, Schedule B, 31 May 1971

<u>Organizing the Project</u>

At the insistence of the Corporation, CHC has proceeded to incorporate the Alexandra Park Co-operative. This Corporation includes on its initial Board of Directors a couple of potential residents of the project; the balance of the Board is drawn from the Board of the Citizens' Housing Committee.

The approach that the Committee wishes to take regarding the disposition of the units is through a form of community organizing rather than through individual marketing of units through a site office.

Persons in the area, or those who lived in the area prior to urban renewal, are being invited to join a community. Since early summer, meetings have been held every 2 weeks for anyone interested in learning more about the project or those who have decided that they wish to live in it. The intent is to get the community organized prior to the completion of construction. In this way, the Committee hopes to achieve three things. First of all, it provides an opportunity for a potential member-resident to get to know the nature of the project quite well before he decides whether or not to live in it. This helps both the cohesion of the project and also means that there is much less likelihood of persons entering the project who do not understand the nature of co-operative tenure or community. Secondly, it provides an opportunity for residents to become imbued with the philosophy of co-operation as this might be acted out within a residential context. Thirdly, it provides an opportunity for the residents to organize themselves, understand the background of the project, and acquire the organizational skills which will be necessary for self-

management on an on-going basis. At this point in time, the process seems to be proceeding quite well. Somewhat over twenty families have been involved in these meetings.

A ground-breaking celebration at the end of October will serve as an opportunity to widen area knowledge of the Co-operative. CHC members report that already there is great interest in the area in the project.

Conclusion

The review of this project indicates a number of Corporation policy concerns toward co-operatives. There is, first of all, an indication of the preference for entrepreneurial development rather than non-profit development. This was expressed quite openly and was subsequently confirmed in a reduction of the lease term from 75 to 50 years. Secondly it reveals a priority given to form and procedure rather than an intelligent solution in substance. This project could easily have been a 1969 rather than a 1971 start. Thirdly, at a number of places it reveals the lack of coherent Corporation policy toward co-operatives. This was expressed in the precedent argument put forward by the Corporation which assumed that all co-operative projects are the same. It was present in the confusion as to whether a loan application should be made under Section 15 (16) of Section 40. Finally, it was made evident in the requirement, contrary to 1970 policy and practice, that the loan would have to be made to the daughter co-operative.

Concerning the last point, it should be noted in this instance that the loan application was not made by a co-operative. There would be no reason according to the Act or according to actual Corporation policy why a loan could

not be made to the Citizens' Housing Committee as a non-profit corporation. At such time that CHC wished to transfer the project of the Alexandra Park Co-operative, they would presumably be required to show that 80% of the units were occupied by members of the Co-operative, and that the terms of the operating agreement would be observed.

3. And in the Wings...

Edmonton

The Sturgeon Valley Housing Co-operative grew out of the Edmonton Citizens for Better Housing Society, a broad coalition of voluntary organizations, the Social Planning Council in particular, and local elites. The co-operative is presently regrouping after the collapse of an attempted project in the neighbouring town of St. Albert on land to be provided by a Roman Catholic religious order at a reasonable price. Agreements were oral and did not withstand the test of time.

The most interesting aspects of this group have been the goal of the project, and the organizing method used.

> "Perhaps the unique thing about the Sturgeon Valley Housing Co-operative is its commitment to involving its membership in the determination of their own housing and community needs."[72]

They intended to involve the great majority of potential residents in the actual comprehensive planning of the project.

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[72] Barrie Chivers, "President's Report," June 27, 1971.

They intended to develop

> "a mixed community composed of people from all walks of life and comprised of a cross-section of income levels within the context of a housing co-operative."[73]

The cross-section was also to include the physically handicapped and the elderly. The goal of the project also included notions of an ideal, or perhaps idyllic, community in its architecture and planning. There was great discussion of ecological balance and abundant community space as well as very low density (five units per gross acre). Much of the physical planning hopes were predicated on the St. Albert site which was indeed a splendid one. The organizing method used to obtain widespread involvement was a series of charettes. A charette is described by the Co-operative as a technique which brings together most members of the community with resource people for the purpose of "intensively studying community problems in open public forum to achieve creative solutions".[74] The first charette was held in June 1970 with the financial assistance of the Corporation through a Part V grant. According to the Charette Report, the nine-day session enabled people "to build up their belief in the fact that they do have meaningful ideas about the communities in which they would like to live", and "secondly - through translators, people realized that their dreams could become realistic, perhaps they might need technical advice - but they could build their community". Shorter, long weekend charettes were held in January 1971 to follow up the previous discussions; a complicated questionnaire was distributed,

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73 Ibid.

74 Charette Report, Edmonton Citizens for Better Housing Society, June 1970, pp.18.

collected, and analyzed; a critical path was worked out for the development. In Summer 1971, however, the owners of the land pulled the string, and the Co-operative no longer had a site.

The Co-operative had encountered a number of problems which were not unrelated to the change of mind of the vendors, although the decision was probably affected most by a change in Superior of the religious order.

The root problem was that the Co-operative was unable to cope with the diversity within it. There were at least four groups within the Co-operative:

1. Edmonton liberals with some appreciation of community participation liked the involvement aspects and the notion of mixed community; some ECBHS representatives.

2. Quite straight lower middle income families who saw this as a way to obtain a much better home for the money than they could get elsewhere; largely in their 30's; salaried, some with university educations.

3. A politically involved and committed group who wanted a pleasant, economically balanced residential community with a high degree of personal interaction and interdependence; largely in their 20's; most with university educations.

4. Some moderate income families with a more formal identification with co-operatives, interested primarily for that reason.[75]

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[75] This breakdown was arrived at by analyzing interviews, the dynamics of a board meeting, and "A General Statistical Summary of the Family and its Future Needs: Basic Economic Data", SVHC, March 25, 1971. A review of the classification with the president resulted in the 4th class being distinguished from the 2nd.

Not only could the different objective interests of these groups not be harmonized, but the combination of participatory - mixed income - community rhetoric and the lack of very necessary group process skills, meant that they were not even articulated. Few groups can survive deep unarticulated differences. Usually communication becomes more and more constricted, and that is what happened here. This was assisted by the lack of real planning skills which meant that an interesting idea could not be distinguished from a feasible one. There was great difficulty in sorting out the essential physical planning objectives so that the goal could become concrete and palpable to the members. The process remained too abstract too long.

At its peak, the Co-operative had over 300 members. It has now been reduced to less than 100. With the loss of the St. Albert's site, tentative agreement has been reached with the City to make land available in the Mill Woods land assembly. The adding of constraints to the project is enabling the group to obtain a better focus on its tasks.

It is important not to dismiss the process the group went through. If they had had access to someone who could have assisted with the group process, and a planner to help them sift through the planning process, then a very exciting proposal would likely have resulted.

Ottawa

Little land is being retained for private ownership in the Lower Town East urban renewal area in Ottawa. Yet a considerable number of families in the area wished to stay there.

Through the Social Planning Council, the area has had the use of an animateur social during the past few years. One of the ideas which emerged from the animation process in Lower Town was the idea of developing a co-operative project on leased land for families who wished to remain in the area.

Increased understanding of the co-operative approach was obtained from CHF. The partnership agreed to make land available at a valuation of $1,000 per unit and 9½% interest. The Co-operative conducted a limited proposal call to obtain ideas for the development. At present, discussions are underway with the City to ascertain how soon land might be made available.

Other Places

There are a great many co-operative groups which are in less advanced stages of project development. We will only briefly mention them here. MCS is planning a project in Moncton. A group in Kingston is actively at work on a project. In Peterborough, the Catholic Church is prepared to provide land for a project. Co-op Habitat is preparing a second project in Toronto. London still has hopes of getting a second project under way on a church site; a loan allocation made late last year has been held over for them. Willow Park is planning to complete its expansion, and CHAM has plans for Thompson. Vancouver is currently negotiating for a second site, and the Abbotsford project is planning a long contemplated expansion of its project on land already owned.

There are surely other groups in discussion stages which did not come to our attention. Some of them may develop a project before those just listed.

CHAPTER 5

THE ORGANIZATION OF CO-OPERATIVE HOUSING IN CANADA

A. Introduction

Up to this point we have reviewed the co-operative projects which have been developed or attempted in Canada to date. Our focus has been almost exclusively on the individual projects, although mention has often been made of the role played by either other co-operative or labour organizations or the national labour co-operative housing program.

As has been very clear in our review of projects, the co-operative projects which have been developed or attempted to date have not been instances of spontaneous generation. They came about because of a prior commitment of generally large existing organizations, coupled with an effective demand for housing. (Because the existence and nature of co-operative housing is generally not known to most Canadians, it is assumed that the demand is more for housing than for housing of this particular form of tenure.) If we look briefly at the composition of sponsoring groups across the country we note that CHAM had its roots in the large Prairie co-operatives; Western's board was almost entirely credit union officers; Calgary was strongly backed by labour unions and credit unions; Hamilton grew out of the labour council; London was initiated because of the NLCC program. The Toronto projects stemmed less from labour and co-operative initiative but received extensive financial support from churches once the projects were underway. The actual role played by these larger organizations differed

in the instance of each project, but in general the most important factors were the credibility lent to the project, sources of interim financing made available, and often, the provision of staff time for preliminary work on actual project development.

The commitment of many of these organizations shows, of course, the imprint of NLCC and subsequently the CHF program to motivate these organizations to enter the field of housing.

There is the other side of each project, that is, the side of the "user" of the project. There is a widespread impression within the Corporation that the proper model for the development of co-operative projects should be something much more akin to spontaneous generation -- large co-operative projects should be begun by persons intending to provide housing for themselves. It is also generally thought that most, or even almost all, eventual residents of the project should have a major role in determining the actual development decisions of the project. As we have seen, this has not generally been the case on co-operative projects. This does not mean that projects have swung to the opposite extreme and entirely fallen into the mold of speculative building. In Abbotsford, Calgary, Vancouver and Ottawa in particular there have been very high levels of member involvement, and this involvement has left its mark on the physical form of the completed development. The theory of the physical determinism of projects which lay behind much of the enthusiasm for early public housing or urban renewal ventures, has been thoroughly discredited; we should not

re-admit it in the guise of insisting that a true co-operative project is impossible unless the great majority of the eventual residents are participants in the development decisions.

The more significant area of member involvement has of course been in planning and carrying out the operations of the completed projects. To the list already mentioned we could add the Toronto and London projects in particular as investing significant amounts of time and energy in this area of organization. This, in itself, makes these projects different from speculative rental or condominium projects.

Between the field of effective demand and the roughhewn national co-operative housing program, there are a number of organizations. The ability of co-operative housing to assume significant proportions is heavily dependent upon the co-operative leadership being able to bring about organizations which possess the following characteristics:

1) Firm sense of self-identity.
2) Technical competence in residential development.
3) Structural and attitudinal adaptability.[1]

They must be aware of and attentive to the linkages between their own level and each of the others, as well as their relationship to the larger environment in which they operate.[2]

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[1] Warren G. Bennis, Changing Organizations (New York: McGraw-Hill, 1966).

[2] F.E. Emery and E.L. Trist, "Social-Technical Systems," in F.E. Emery ed., Systems Thinking (Penguin Books, 1969); P. Lawrence & J. Lorsch, Organization and Environment (Harvard, 1967).

If co-operative housing is to develop, the network of organizations will have to possess the characteristics of an open system. One of the aspects of the nature of co-operative development is that it does not require central control and initiation. Indeed, it would be impossible to obtain such control. To date, there has been a fairly high level of centralization because of the program being initiated through the commitment of national and provincial organizations. As more and more persons and local organizations become aware of the possibility of co-operative housing, the number of actual sources of potential projects expands exponentially. Some of these sources will want and need extensive assistance from regional or local co-operative housing organizations, but others will be able to carry on quite independently. The national organization of co-operative housing is hardly likely, therefore, to share the characteristics of a single vertically integrated national organization. The same judgment may be applied to the provinces, with the partial exceptions of Quebec and Manitoba.

In practice, however, there are very real constraints which make a sudden anarchic blooming of co-operative projects unlikely. These begin with the limited number of individuals or organizations with the willingness and capability to invest the amounts of time and energy required in order to bring about a project. Among lower income groups in particular there will be a need for organizational assistance to be available. Lower income families or organizations are likely to have little expectation of the possibility of a co-operative project until they know that assistance could be made available to them.

Furthermore, it will no doubt take time for the concept of co-operative tenure to receive acceptance in many areas. Nonetheless these constraints do not push us back to a situation which demands central initiative and direction. If this were to be attempted, the significant and very economic contribution of voluntary lay time and energy would be eliminated. To adopt such an approach would seem to misconstrue one of the very real strengths of co-operative housing.

The fact that this extremely open structure is available is a result of the nature of the housing production system. To become part of the housing "industry" requires no investment in production facilities, extensive overhead, elaborate market research or large scale venture capitalization. The housing system is perhaps of all sectors of our economy the one which is most available to direct action by lay organizations. They have only to acquire a relatively limited and easily obtained basic understanding of the dynamics of residential development. Many a commercial developer knows less than some of the co-operative groups already in the field. The major limiting condition is access to loan capital -- a matter the Corporation can deal with.

There is then a rough-hewn national program and a variety of other co-operative organizations at provincial and local levels as well as an imputed demand from prospective "users". The co-operative housing production system is open, and subject to certain constraints. In this situation, the task of co-operative leadership must be to put forward and attempt made to implement a relatively

open network of co-operative organizations. This will not be an easy task since there are no models readily at hand. There is a tendency to adopt existing models from the experience of organized labour, co-operatives or the co-operative housing situation in other countries. Since the environment for each of these other organizations differs substantially from that of co-operative housing, such models are not adequate.

The balance of this Chapter will consist of a review of the different levels of co-operative organization in Canada. In each instance we shall look at the following items:

1. Current situation; problems to date; brief evaluation of organizations according to the criteria of self-identity, competence, and adaptability.
2. Program and direction.
3. Financial base of the organization.
4. Linkages with co-operative networks and larger environment.
5. Growth 'anticipations'.
6. Implications for Federal policy.

B. The Co-operative Housing Foundation

1. Current Situation; problems to date; brief evaluation

The Co-operative Housing Foundation was formed in 1968 in order to carry out the housing program which had been

begun by the National Labour Co-operative Committee. The NLCC program, as a formal program, dated only from 1967, but in fact the executive secretary of NLCC, Jim MacDonald, had been promoting co-operative housing with local co-operative and labour organizations for much of the decade.

CHF in 1968 was comprised of the Canadian Labour Congress, the Co-operative Union of Canada and the Canadian Union of Students. With the demise of the Canadian Union of Students, its two seats on the Board have been taken by the United Church of Canada and the Roman Catholic Church, represented by the Canadian Catholic Conference. CHF was created as a paper organization in 1968, but it assumed control of the NLCC housing program only last year. It is presently being incorporated under the Canada Co-operative Associations Act.

CHF has an annual budget of approximately $25,000, and one staff person who acts as national organizer. At present the national organizer is Glenn Haddrell who came to CHF in 1970 from British Columbia, where he was one of the key persons in the Abbotsford Co-operative; prior to that he was a president and business agent of UWA.

In its broadest terms, the CHF program is based on the notion of a Third Force in housing. This Third Force would consist of a broad, non-profit housing sector in which co-operative housing would play a prominent role. The key organizations in a Third Force are seen to be co-operatives, organized labour and churches. For some co-operative leaders including the key element of the leadership, it would also include non-co-operative groups which

are non-profit such as YW's and YM's, housing for the elderly, municipal housing, and although this is more problematic, housing provided by service clubs on a non-profit basis.[3] A key problem to the development of a significant and legitimate Third Force in housing is seen to be the resistance of CMHC as expressed in its application of the Act and certain elements of policy, the availability of sufficient organizational and technical expertise, and sufficient commitment within co-operative and labour organizations to provide the initial local energy and muscle for particular projects.

The structural framework for the development of a Third Force is seen to be a three or four level structure, depending on the area of the country. At the national level there is, of course, the Co-operative Housing Foundation. The second level, in Ontario would consist of a provincial co-operative providing technical assistance. In Ontario, direct development would be carried out by mother societies or development co-operatives in large urban centres. These organizations in other provinces would likely be organized on a province wide basis. That is to say, in Ontario there will be a number of development co-operatives while in most other provinces there will likely be only one. At the bottom level are the series of actual housing co-operatives. Thus there is a four level pyramid. The actual housing co-operatives will join the mother society or development co-operative which produced them. The development co-operatives will join a provincial organization in the case of Ontario, or in other instances, will directly become members of the Co-operative Housing Foundation. In addition to the membership just specified there will be at each level, with the

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[3] Jim MacDonald, "The Third Force," in Canadian Labour, February 1968 (Volume 13, No. 2).

exception of the housing co-operative level, additional members who would be the relevant co-operative, labour, credit union, church and other organizations. Thus, a provincial federation of labour would join the regional or provincial organization and a local credit union would join a local development co-operative.

This organizational framework in slightly modified form was first set out in the Midmore Report and more refined versions of it have been developed by the Co-operative Housing Foundation. Different elements within CHF see the regional and provincial organizations as being more or less autonomous. The less autonomous viewpoint would see them as regional presences of CHF. As will become clear when we review the situation across the country, the regionals are in fact quite autonomous but do keep in touch with CHF.

Comments on Program

a) Promotion

The usual pattern of CHF in promoting co-operative housing is to operate through local labour councils and local co-operatives if the latter exist in a particular municipality. The most progressive labour unions have usually been the larger ones: for example, the United Steelworkers of America, the United Automobile Workers. The members of these unions are generally earning incomes which do not qualify them for low income housing assistance. With the exception of a few Western cities, co-operatives are not generally an active factor in the urban setting. Churches have also been involved in a number of projects.

Obviously, a national organization with a one-man staff will have to carry out its promotion through existing organizations, and in particular, municipalities. One person can hardly do significant organizing in cities across the country. However, the fact that the local organizations to which the program relates are labour unions and co-operatives, has meant a serious lack of communication channels to the low income client population. Co-operatives at the present time are not heavily involved with low income families or their organizations. Where the churches involved in projects are local churches, as in London and the CHC Toronto project, they are very often useful points of access to lower income communities.

b) Technical Assistance and Monitoring

Early on CHF realized that it could not supply technical assistance to groups across the country. It has attempted to put local groups in touch with persons or organizations believed to be capable of providing this assistance. Often, however, this has meant a reputable professional or firm which has not been in a position to provide real project management or co-ordination. The Foundation does not monitor the activities of projects and communication channels are largely informal. If difficulties arise on a project, the co-operative may appeal to the Foundation for assistance. The Foundation has been very energetic in responding to these requests.

Until firm provincial or regional organizations are in action, the Foundation should be closely monitoring the various co-operative projects. If this procedure had been in effect, it is less likely that Solidarity Towers would have encountered their financial difficulties or

that the financial constraints imposed in Calgary and London would not have been rectified sooner. The recommendation then, is that housing co-operative and development co-operatives which do not have full time staff, should have their activities, and in particular their financial activity, monitored by at least one co-operative organization with capabilities in these areas. At the present, outside of Ontario, and Manitoba, this would probably mean monitoring by the Foundation.

c) Social Aspects of Housing

There is a relatively low level of knowledge within the co-operative movement generally of the social aspects of housing, and in particular, housing requirements in the low income field. This is certainly part of the reason why co-operative briefs and submissions to various governments have lacked the punch and authority which they might have had. This criticism should not be taken to mean that within co-operative housing there is a significantly lower level of understanding of social aspects of housing than is present in the public housing or entrepreneurial sectors. It is merely serving to point out an area in which there must be additional work done.

d) Strategic Planning

One of the goals of the Foundation is for co-operatives to be supplying 10% of Canada's housing starts by the end of this decade. A number of the other goals of the Foundation suggest quite definite targets. There has, however, been no strategic planning of how to achieve these objectives. There has been no study of the amount of mortgage

funds, staff, preliminary organizational expense, seed money or equity required to achieve this 10% goal by the end of the decade. Nor has there been any look at provincial distribution of these units, the nature of housing policy in the different provinces and the role of co-operatives in a highly differentiated society. There has not been any calculation of the growth rate of co-operatives through this decade which would be required in order to achieve the objective. This must be remedied.

Brief Evaluation

a) Self-Identity

There is a reasonably firm sense of the kind of housing program which the Co-operative Housing Foundation should be pursuing. The question of identity does, however, raise issues about the participation of various units in the national program. The current structure of the Foundation really depends upon the emergence of provincial or regional organizations. There is considerable uncertainty as to what would happen in the event that this did not take place.

The question of whether or not the Foundation should actively expand its activities to include non-profit, but not co-operative housing, has not been settled. At the present time, the choice has simply been made by the limits of resources. Priority has been given to co-operatives.

b) Competence

CHF has certainly proved its competence to motivate local and provincial organization to undertake direct action in the housing field. It is well respected and has entré to local labour and co-operative organizations across the country. This is one of the real strengths of the organization. Its program has been pursed with great energy and considerable devotion. These would seem to be precisely the qualities required to get the program to this point.

As the number of projects begin to multiply, there is a need for the Foundation to become more capable in areas of planning, policy, implementation strategies and organizational analyses.

It is suggested that the Corporation, since they are supplying a significant amount of the Foundation's budget, could be quite helpful and perhaps slightly more demanding in this area. They should not, however, treat the Foundation as a consulting organization which should have this competence at the present time.

c) Adaptability

The adaptability of the Foundation has not been tested to date. Its initial program certainly was developed in line with the realities of co-operatives across the country. There is a slight tendency to pre-conceive the ideal structure for the co-operative housing movement; represented by the persistent attempt to create a Prairie regional in the face of a considerable lack of enthusiasm from

the Saskatchewan and Manitoba organizations. A significant program of co-operative housing would clearly test the ability of the Foundation to adapt.

2. Program

In addition to the on-going promotion of co-operative housing, the major priorities of the CHF program at the present time are the development of regional organizations and the development of an educational program for housing co-operatives.

When it became clear to the Foundation that technical assistance could not be provided from a central source, the emphasis was switched from initiation of projects to the creation of regional co-operatives. Since organizations were in existence in Manitoba and Saskatchewan, and Western had recently failed in B.C., priority was given to the Maritimes and Ontario.

The difficulties of Solidarity Towers, and Winnipeg from a different perspective, had reinforced the recognition for the need of an educational program in co-operative housing. At the present time CHF has made this a high priority. It is expected to have a program developed by Spring 1972 which could be used by local housing co-operatives.

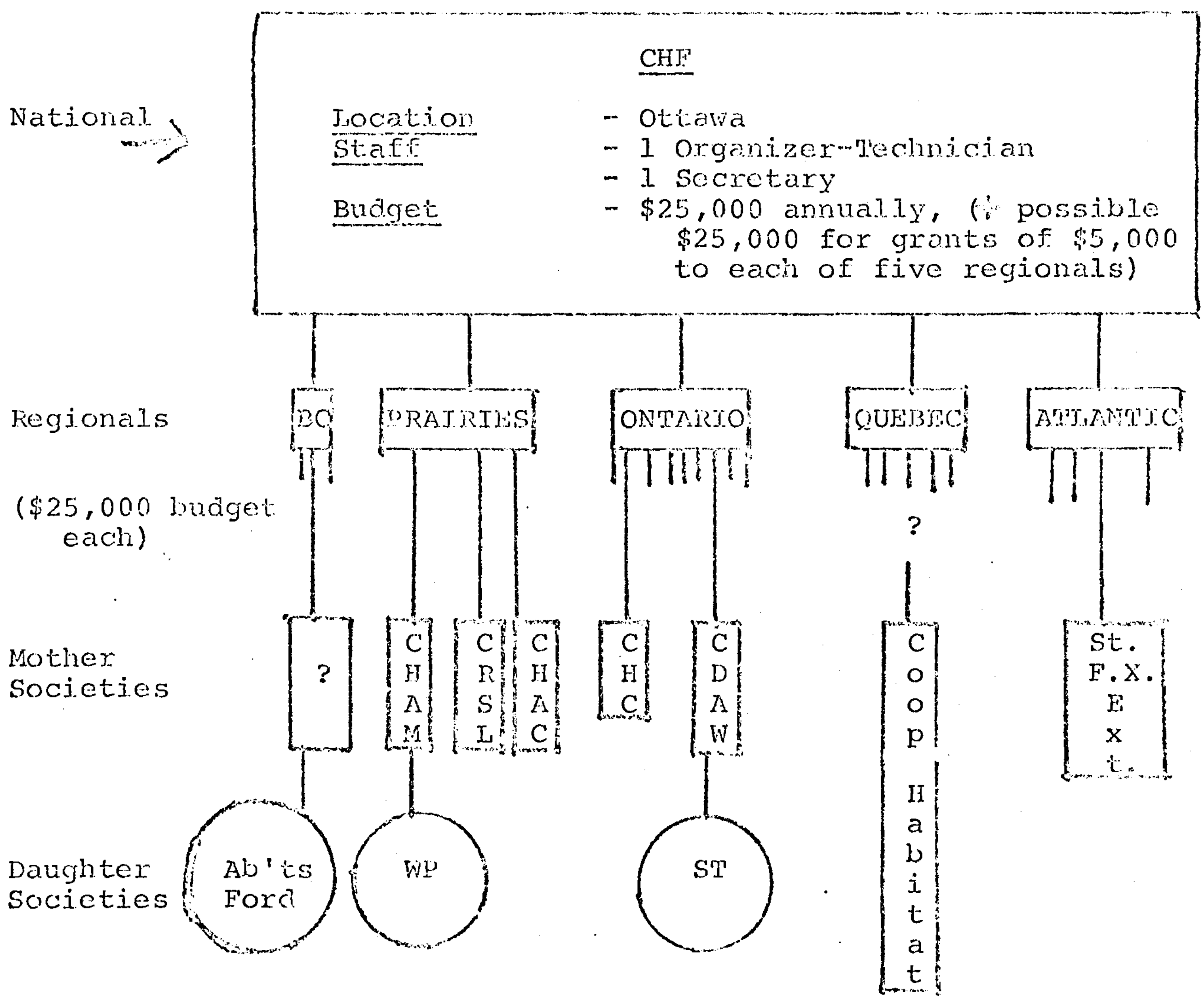
3. Funding

CHF has an annual budget of approximately $25,000. Assisted in large measure by the substantial financial assistance from the Corporation, amounting to $70,000 to date, the Foundation's financial base will clearly carry it until 1975, It expects that its long-term financial

PROPOSED STRUCTURAL PLAN FOR

(National)

CO-OPERATIVE HOUSING FOUNDATION



base will be provided by contributions from housing co-operatives which will filter their way up through development and regional co-operatives. The hope is that by the middle of this decade there will be sufficient co-operative housing in operation to actually provide the annual budget of CHF, with little assistance from the sponsors. The sponsor commitments have been made precisely on the understanding that it is not an indefinite commitment.

The funding of the Foundation has been planned with only one staff person in mind. If co-operatives grow at any significant rate, this will clearly be inadequate, and there has been no study of how the financial base might be broadened in order to enable a larger staff.

4. Linkages

The Foundation's entry into the world of labour organizations and co-operatives is through the participation of their respective national organizations. Because the church organizations are not as centralized, churches have provided a less useful means of reaching into a community. The Consumers' Association of Canada is an associate member of the Foundation but plays little role in it. CHF has been very cautious in its membership policy to date. There is a substantial concern over not letting the direction of the Foundation escape the control of the two major funding organizations. For this reason in part, the Foundation has been reticent to draw into its membership other national organizations, particularly those reflecting the interests of low income families. It is submitted that this should be a priority for the Foundation.

C. The Regionals

Introduction

The regionals are visualized as the primary organizational support system for development of co-operative housing. The nature of their operations will of course vary. For Ontario, it will be more oriented to consulting and advising local development co-operatives, whereas in Manitoba, CHAM intends to provide a completely integrated system of planning and construction.

The different regional and provincial organizations can be set out on a spectrum of the degree of centralization likely to emerge in their patterns of operation. Centralization refers here primarily to the level responsible for initiating and carrying out actual projects.

Relative Centralization			Relative De-Centralization	
Quebec			Ontario	Alberta
CHAM	CRSL	Atlantic Region	British Columbia	

Since no regional organization has actually been operating for more than a year, our comments on program and future possibilities must be quite brief. We shall apply to the regionals the same criteria which we used in the case of the Co-operative Housing Foundation, but in addition shall attempt to estimate, or better "anticipate"[4], the growth

[4] Erich Jantsch, Technological Forecasting in Perspective (Paris, O.E.C.D., 1967).

potential of co-operative housing in the different areas.

The Maritimes

CHF has done considerable groundwork in the Maritimes towards creating a Maritime regional organization. Labour, co-operative and church groups in Newfoundland, Nova Scotia and New Brunswick have made preliminary commitments toward such organizations. Discussions have also been held with the provincial housing corporations or commissions in the different provinces. As of earlier this year, commitments of approximately $4,000 a year have been arranged. Most of this was from Maritime Co-operative Services.

More recently, the Foundation has begun to ask itself if the logistics involved in obtaining the sponsorship support of a dozen to sixteen organizations, does not make the very notion unfeasible. As a result, discussions have been held with Maritime Co-operative Services. From these discussions it is hoped that MCS in its own right might take significant action in the housing field. MCS has already made plans to obtain a 30-acre site in Moncton for a co-operative project.

There is of course an additional force in the Maritimes; this is the Extension Department of St. Francis Xavier University in Antigonish. With the Nova Scotia Housing Commission having assumed the co-operative housing program in that province, the future activities of the Extension Department are not settled. The recent rehabilitation project in Sydney is further evidence of the resiliency and creativity of the St. Francis Xavier organization.

They are currently looking for a role to play and some consideration should be given to their playing a definite part in a Maritime co-operative program. At the moment, of course, this is pure speculation.

Co-operative growth in the Maritimes is very much dependent upon the future pattern of provincial housing policy. There have been indications that the province of New Brunswick will expand its use of co-operative housing. Growth of co-operative housing is also a function, of course, of the economic future of the Maritimes.

In this very ill-formed situation at present, it would seem not unreasonable to estimate that by 1973, 250 new co-operative units might be developed. Optimistic assumptions beyond that point would see 500 per year by 1975 and 750 per year by 1979.

Quebec

See Cesar Rutigliano's report on co-operative housing in Quebec.

Ontario

a) Current Situation

A fully developed Ontario regional organization has now been formed. The initial sponsor members are the Ontario Credit Union League, the Ontario Federation of Labour, the Co-operator's Insurance Association and the United Co-

operatives of Ontario. These are the largest organizations in each of their respective fields in the province. In addition to the funding provided by these organizations, an initial grant of $12,500 was provided by the Ontario Housing Corporation. Other members of OHF are the development co-operatives in the various cities, including Windsor, London, both Toronto organizations, Ottawa and Sudbury.

The Foundation began operations only this Summer and so no evaluation of performance to date can be carried out.

b) Program and Direction

OHF has under contract the Robert Owen Development Co-operative Incorporated to provide staff services.

The current priorities of the Foundation are assisting co-operative projects presently underway and developing new projects with initial emphasis being given this year to Sudbury, Kingston, Ottawa and Kitchener-Waterloo. Since there are already four development co-operatives with loan commitments, all but one of which have projects under construction, and since additional land has been committed in the Ottawa urban renewal area, the Foundation expects a quite vigorous growth of co-operative housing.

The Foundation also intends to place heavy emphasis on education in co-operation projects and on research in policy and social aspects of housing.

c) Funding

The funding of the Foundation's first year of operations has already been explained. It is expected, but not assured, that most of the organizations that provided the initial funds will renew their commitments until the middle of the decade. At that point the Foundation, like CHF, expects that enough units will have been created to provide an on-going source of funds. A detailed organizational development study including funding, staffing and program is currently being carried out by the Foundation.

d) Linkages

In addition to the current members, the Foundation is in close contact through its staff with a variety of citizens' organizations and established voluntary associations such as the Ontario Welfare Council. There is a keen sense of the need to establish firmer contact with low income organizations. A project is currently underway with a residents' association of an inner-city area in Toronto.

e) Growth Anticipations

Given the number of co-operative organizations already active in the province, and the new presence of a group to provide them with organizational and technical assistance, it would not seem unreasonable to expect 500 units a year to be produced by 1973, 2,500 units by 1976 and 5,000 per year by 1979.

Manitoba

a) Current Situation

Although the Co-operative Housing Association of Manitoba was chartered in 1960, it has had a full-time staff only during the past year. CHAM's board of directors still represents the major co-operatives in the province. CHAM is currently planning to field a very integrated development organization. They presently have a full-time staff of 9, which includes a lawyer, an architect, and engineer and construction superintendents. The present perspective on their own growth has strong overtones of the co-operative enterprise as against a non-profit co-operative association. It intends to initiate and carry out projects in its own right in different parts of the province.

It has not yet settled how it will work with existing organizations who expect assistance in developing projects. The chief officer of CHAM expressed great reservations about working with such groups and, in fact, has rebuffed approaches by two local organizations. He is concerned about the competence of these groups and feels that if CHAM does not have complete development control, the projects will flounder and that CHAM will be implicated in the difficulties. As a consequence there is a strong emphasis on CHAM remaining an independent development organization that acts in its own right, rather than on behalf of, or through, local groups.

b) Program and Direction

CHAM intends to develop projects in a number of different areas of the province. In addition to their current project of Willow Park East, and its expected extensions, they are also planning to break ground within the next six months on a 400-unit project in Thompson. Their presence in this area is largely a function of the assistance they are receiving from the provincial government. The provincial government has guaranteed a loan which CHAM is using to finance the planning and preliminary development work for this project in Thompson. The land is also being provided with the assistance of the government. With assistance of this nature, obviously CHAM could become a very major force in housing development in Manitoba.

c) Funding

CHAM seems to expect that its entire financial budget will be forthcoming from development fees on various projects as well as research grants or other funds received from the province.

d) Linkages

From what we have said already, CHAM has a solid base within the co-operative movement but needs to establish its presence among the constituencies of potential users. To the extent that this is not done, CHAM will tend in the direction of being a simple, non-profit developer.

e) Growth Anticipations

On the basis of its current projects, CHAM should be producing 500 units a year by 1973 and 1,000 by 1975. CHAM feels that 1,000 units a year will give the organization the funds it requires to be self-sufficient. By the end of the decade they hope to be hitting 2,000-3,000 units per year.

Saskatchewan

a) Current Situation

The Co-operative Residences (Saskatchewan), Ltd. is the oldest regional organization in the country, except for CHAM. To date it has built no housing although it has assisted student co-operative groups in the purchase and renovation of older houses. CRSL's inactivity is in part a function of the recent decline of economic conditions in the province. But even more, it suggests the incapacity to develop a project. CRSL may well require more competence within the field of residential development before it can act successfully.

b) Program

The recent change in government may favourably affect the possibility for co-operative housing. The current government has undertaken to review its position on co-operative housing. It has been requested by CRSL to guarantee mortgage repayments on units until the project can be initially filled. This request is receiving very sympathetic consideration at the moment. The government, if it does become involved in co-operative housing, will likely do so within the context of a quite fully elaborated

program.

c) Funding

CRSL is sponsored and backed by the major co-operatives of the province acting primarily through the Saskatchewan Co-operative Development Association. CRSL shares offices and staff with CSDA and would expect its future financial base to be secured from project development fees.

d) Linkages

As we have seen, CRSL is well integrated into the co-operative structure of the Province. It does not seem, however, to have strong connections with organizations composed of potential clients of co-operative projects.

The co-operative leadership in this area has been taken by the Co-operative Credit Society of Saskatchewan, which a few years ago established a Committee on Poverty and submitted a comprehensive and quite impressive brief to the Croll Commission on Poverty. CCSS also has an impressive efficiency rating as a co-operative banking operation.

It was for this reason that the Corporation Branch Manager steered the Regina Single Parents' Association to the Credit Society rather than CRSL when they approached him about financing an existing building on a limited-dividend basis. Co-operatives in Saskatchewan seem to be sufficiently integrated in that CRSL has now become involved in the proposal as well. The Corporation made an appraisal of the proposed apartment block and judged that it was not worthy of rehabilitation since it was structurally unsound. Another

building has been found which does meet Corporation criteria and a loan application is underway. Jack Midmore of CRSL stated, however, that due to the relatively high transiency rate among the single parent families, it was planned to have the project owned by CCSS or CRSL rather than the actual residents.

e) Growth Anticipations

With Provincial government assistance and more competent staff, CRSL should have their first project of approximately 100 units underway by 1973. They are presently looking at another site in the Walsh Acre subdivision. If there is a reversal of present economic trends in the Province, CRSL or other co-operatives could be producing 500 units per year by 1976 and 1,000 by the end of the decade.

Alberta

a) Current Situation

Co-operative development in Alberta is localized in Calgary. Another group is planning a project in Edmonton. There is, however, no provincial organization in the Province and no plans for one at the present time. Some of the provincial co-operative organizations such as the Credit Union Federation of Alberta are clearly assisting the Calgary group and have indicated that they would support initiatives in Edmonton as well.

Given the present situation, co-operative housing may be confined to two major cities for the near future.

An additional project in Calgary is unlikely, given the current vacancy rates in the Calgary market. The Edmonton group expects to begin its first project in the Millwoods land assembly.

b) Growth Anticipations

Since additional projects in Calgary are not likely in the next few years, there will probably not be more than 200 additional units of co-operative housing in 1973. If a provincial organization emerges by that time which could act or assist groups in other parts of the Province, it may be possible for co-operatives to be producing 500 units a year by 1976 and 1,000 by the end of the decade.

British Columbia

British Columbia had an intended provincial organization in the Western Co-operative Housing Society which went bankrupt in 1969 as recounted in Chapter 4. At the moment there is serious interest in co-operatives in Vancouver and the surrounding area. As well, we have the promising experiment of using co-operatives as a vehicle for providing public housing subsidies. If the experiment became a regular program, then obviously the future of co-operative housing in B.C. would be sharply enhanced.

Even if this does not take place, however, co-operative housing will still likely have a relatively good, if modest, future in British Columbia. Credit unions in particular seem to be quite active in assisting and encouraging co-operative projects. The big barrier was

broken when co-operative occupants obtained access to the $1,000 home owner acquisition grant and also to the continuing annual home owner grants.

On this basis, co-operative housing in B.C. should be producing 500 units per year by 1973, 1,000 by 1976 and 2,000 per year by the end of the decade.

Concluding Comments on Provincial Co-operatives

a) Introduction

The nascent character of provincial housing co-operatives, where they exist at all, makes any generalized comments extremely hazardous. At the present time, the situation in each province really has to be appraised quite independently. This is a fact that the Co-operative Housing Foundation is gradually accepting.

b) Current Situation

First of all, it seems extremely likely that the current patterns of provincial organizations of housing co-operatives would prevail at least until the middle or second half of this decade. An Atlantic regional is unlikely; Maritime Co-operative Services will likely enter the housing field and perform a regional role. MCS in other sectors does operate throughout the Maritimes. Ontario has a regional organization which will likely continue and expand its area of operations. In the Prairies the current pattern will likely continue. CRSL may be strengthened and become an effective housing organization, or the Co-operative Credit

Society of Saskatchewan may enter the housing field itself. CHAM will continue its ambitious attempt to develop an integrated housing operation. A provincial organization in Alberta will probably not emerge in the next several years. In British Columbia the pattern is less certain. The failure of Western will continue to inhibit a new provincial organization, but this may in the end be offset by the success of Abbotsford and de Cosmos Village. If this does occur, then it may be possible to develop a provincial organization in B.C.

It is clear to co-operators that the short as well as the long term success of a co-operative housing program is dependent upon co-operatives having access to sources of organizational and technical expertise during the development phase, and competent managers for on-going projects.

During the past three years this situation would seem to have changed for the better across the country. The entry of MCS in Moncton is one example of a well organized corporation thoroughly grounded in co-operative principles entering the housing field. In Ontario, there are three organizations currently fielding full-time staff. The Co-operative Habitat Association of Toronto has a full time development man, a manager, and a person doing community programs within a condominium project. Ontario Habitat Foundation and the Citizens' Housing Committee of Metropolitan Toronto have Robert Owen Development Co-operative Inc. under contract to supply staff services to carry out the functions of each organization. The Co-operative Habitat Association of Manitoba has launched a vigorous campaign

to build an integrated co-operative organization which will plan, construct and operate projects. It currently has a staff of nine, including several professionals and persons experienced in construction. The Co-operative Housing Association of Calgary is relying upon the Credit Union to provide management services for the project. United Co-operative Housing Society in Vancouver has a full-time staff person in Shirley Schmid.

All co-operative organizations interviewed, however, stated that obtaining staff who were experienced in residential development and yet committed to the democratic approach of social housing was extremely difficult. Since it is much easier to learn skills than to change attitudes, co-operatives will likely have to develop their own personnel. This is precisely the situation which has been faced by non-profit housing organizations and co-operatives in the United States. Those who had the skills tended to utilize them in private enterprise. The only solution, and a very partial one at that in the United States, has been for the government and the Ford Foundation to fund training programs for housing technicians.[5] Such a program will be necessary here within the next three years.

c) Program

Co-operative organizations in all areas need to develop much more firmly articulated programs. This will be assisted by clear federal policy toward housing co-operatives. The uncertainty of the past several years has made it very difficult for lay co-operative groups to

[5] L.C. Keyes, Jr., "The Role of Non-Profit Sponsors in the Production of Housing," paper submitted to Subcommittee on Housing, Committee on Banking, and Currency, U.S. House of Representatives, June 1971, pp. 159-182.

develop firm policies and programs for their own organizations.

d) Funding

Most of the provincial organizations expect to have the greater part of their cost paid by provincial sponsoring organizations until at least the middle of this decade. After that time, it is envisaged that educational and promotional funds will come from continuing fees from existing housing co-operatives. Development services should be self-sufficient on the basis of fees from projects under development.

e) Linkages

Co-operative organizations in almost all jurisdictions are weak, having few organizational ties with low income groups or with such groups as tenant organizations. A number of co-operatives, however, are taking definite steps to remedy this situation.

f) Growth Anticipations

Obviously, the projected growth of co-operative housing is extremely uncertain. All the figures used in the province-by-province estimate have, however, been checked with the co-operatives in the area, or in the case of Maritimes, with the Co-operative Housing Foundation. On the basis of these figures, housing co-operatives could be producing at an annual rate of approximately 14,000 by the end of the decade, for a total of almost 70,000 in operation by that date. It should be kept in mind that this

total does not include Quebec, building co-operatives, or rehabilitation programs under the co-operative auspices. Furthermore, these estimates do not depend on viable, regional organizations emerging in the Maritimes, the Prairies or in British Columbia. Should this happen, the total could be increased substantially. If co-operative housing were to be made a deliberate and fully articulated part of low income housing policy by the federal government in conjunction with the various provincial governments, this too would have an accelerating effect on co-operative development.

Regions/Province	Units to date	Units per annum 1973	Units per annum 1976	Units per annum 1979	Total to 1980
Maritime Region	0	250	500	750	3650
Quebec					
Ontario	644	500	2500	5000	18544
Manitoba	258	500	1200	2000	9458
Saskatchewan	0	100	500	1000	3550
Alberta	380	200	500	1000	4180
British Columbia	146	400	1000	2000	7996
Totals	1324	1950	6200	11750	47378

g) Implications for Government Policy

To date, the Corporation has viewed co-operative housing with, at best, great indifference. The Corporation stance has been that its own interest was paramount and that the most co-operatives had the right to expect was treatment equal to any entrepreneur.

The major implication of this review for federal housing policy is that a relatively clear choice is present to the Corporation. It can continue its non-program in relation to co-operative housing. Or it can decide to faci-

litate the growth of co-operative housing particularly in relation to a low and moderate income housing program. Such a change in policy would provide the context in which the Corporation could positively assist co-operatives in rationalizing and articulating programs, and attempt to implement them in specific instances.

A second implication is related to the funding of co-operative organizations. It is extremely likely that a strong co-operative and non-profit housing program will require government assistance to develop a cadre of competent development technicians and property managers, capable of operating in a democratic, social housing context.

D. The Organization of Development and Housing Co-operatives: The Mother-Daughter Approach

The Current Situation

All of the co-operative projects to which loan commitments have been made to date have used the mother-daughter approach. There have been three major varieties of the approach. Windsor and the two CHAM projects have had the two corporations, mother and daughter, established from the beginning, even though the Board of the daughter would be virtually identical to that of the mother. The loan commitment would be to the daughter. A second approach is illustrated by the two Western projects, Port Alberni and Abbottsford, which involved Western as the sponsor and an arm's length corporation of the residents as the daughter. (In the case of Abbottsford, Western was in bankruptcy by the time the commitment was made.)

The third approach is that of the 1970 projects, with the exception of Willow Park East which continued the pattern of Willow Park. In the cases of Toronto, London, and Calgary the co-operative to which the loan was made was actually a mother co-operative which intended to transfer the project sometime after completion to a new corporation to be formed by the residents. The Toronto CHC project intended to follow this same approach until the Corporation insisted that they proceed by means of the first approach. In Calgary and perhaps Vancouver the mother co-operative may in fact continue to retain title with a membership composed of the residents as the project is occupied.

The project organizers would cease to be members of the corporation.

The essence of the mother-daughter approach is a distinction between the organizers and residents of a project. The project is organized by the mother and later transferred to the daughter formed of the residents.

There are three reasons advanced in favour of this approach.

First, some form of initiative is necessary to get a project underway. This initiative is most likely to come from organizations affiliated with co-operatives rather than from persons seeking housing for themselves. It also provides a way for a co-operative housing to define a clear public image through one central local organization.

Secondly, developing housing requires knowledge and experience which is in short supply. This approach

offers a way to accumulate knowledge and experience so that it may be put to use in future projects. Recent analysis of U.S. non-profit housing shows that one of the short-comings of the program was the small number of repeaters. Most groups limited themselves to one project, much in the manner of churches or service clubs which have sponsored senior citizens' housing under Section 16A.

Thirdly, this approach provides a vehicle to mobilize the resources of voluntary organizations for direct action in housing while still allowing control of the project to be transferred to the eventual residents.

In addition there are a variety of practical reasons having to do with the raising of interim financing and established credit performance. This is significant in high risk industries such as construction or development. Repeaters have a much easier time than a raw group attempting its first project.

The mother-daughter approach does not seem to have been a matter of contention between the Corporation and co-operatives until very recently. The Corporation does not seem to have examined it from a policy perspective. The approach has been thoroughly explained in a great number of reports and submissions which co-operatives have made to the Corporation. None seemed to draw a response which questioned the use of this approach. The Corporation, however, recently informed the Citizens' Housing Committee of Metropolitan Toronto that "the proposal that this project be developed by a sponsoring 'mother' co-operative, with transfer to a continuing co-operative composed of the occupants is not acceptable." From the balance of the

paragraph it would seem that a partial reason for the Corporation's view was an interest in seeing that the eventual occupants in the project were involved in the development process. This, however, would not necessitate the arrangements being made with the daughter project since these potential occupants could be involved through the development co-operative. At this point this discussion really becomes that taken up under the 80% requirement.

Another reason why the approach gives the Corporation a certain amount of "indigestion", as one official put it, is that it is simply not provided for in the Act. Since the Act requires 80% occupancy by members, it is surely impossible to make a loan to a group which does not admit the residents of the project into membership. It is difficult to accord much weight to this argument, particularly since CHC, for example, is in fact not a co-operative, but a non-profit corporation, though the project would have been owned eventually by a co-operative corporation.

From an inuendo in another letter, the Corporation may be concerned about funds being transferred from one project to another if a mother society had two or more projects under way. This is surely a reasonable concern for the Corporation but it is hardly prevented by granting the loan to a daughter which is controlled by the mother, which seems to be acceptable to the Corporation.

In most instances it would make little difference whether the loan was made by the Corporation to the actual development co-operative or to a housing co-operative, which at the point of the loan was actually composed of the

same or virtually the same membership as the development co-operative. However, in projects which would require a considerable period of time for their development, or in phased projects, the development group could be put in a position where they would not be able to preserve the required control during the development period as the membership of the organization grew. It inevitably takes some time for a new membership to coalesce into an organization capable of coherent action. CMHC might well end up acting against this possibility by requiring that loans be made only to the actual housing co-operative and not to the development co-operative.

In Willow Park, for example, there are now two continuing housing co-operatives. Three phases of the project remain to be carried out. The end result, a relatively small community of less than 500 units divided into five co-operatives, could prove to be a governmental nightmare. It would seem to make more sense to have each project developed by CHAM and transferred to the Willow Park Co-op upon completion. CHAM is as yet quite undecided as to how to stitch together the various projects if they are developed through separate corporations.

In conclusion, some form of sponsorship technique seems inevitable for most projects. Furthermore, it is hard to see how this could be counter to the interests of the Corporation, eventual residents, or interested sponsor organizations. It would seem, in particular, that the Corporation should regard a sponsorship approach as preferable because it provides a first screening for individual or group applicants, a greater likelihood of competent project development, and greater housing production than

would be achieved in the case of entirely unconnected projects. In fact, for reasons similar to these, plus the added reason of the advisability of a resource pool for housing property management, a U.S. federal government study of non-profits recommended a "city-wide development corporation" and local neighborhood projects.[6]

Instead of concentrating on the corporate niceties of the relationship between the development co-operative and the housing co-operative, the real question is the functions to be performed by each, and how effective control of the project is to be transferred from one to the other. This is in part a question of the composition of the sponsor.

Development Co-operatives

From a review of the various co-operative projects which have received loan commitments to date there seem to be four models for the composition of the sponsorship group.

The first would be represented by the Co-operative Habitat Association of Toronto. Its membership and Board members are professionals, and the co-operative does not have representation from co-operative, labour or other organizations. It does, however, have a strong link to the national level of the United Church and it is acting as its housing arm in the development of an initial project on an experimental basis. This is the 1970 Cooksville project, Ashworth Square.

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[6] L.C. Keyes, Jr. "The Role of Non-profit Sponsors in the Production of Housing," op.cit.

Another example of an organization composed primarily of local elites, but affiliated to the labour and co-operative movement, would be the Citizens' Housing Committee of Metropolitan Toronto. This group is a non-profit organization and technically not a co-operative, although it intends to develop co-operative projects as in the case of the Alexander Park project. It has relatively good contacts with low income organizations in many parts of the city and has brought potential residents of the project directly onto the Board of the daughter project at a very early stage in the development.

A second form of co-operative would be represented by the Windsor or Calgary projects, where the primary leadership has come from a labour union and where it has really remained the controlling organizational and leadership factor in the development of the project. Although other people have been brought onto the Board, there has really been very little diversification of control; the projects retain a very high level of union identification.

A third form would be the London project and in a different fashion, the Winnipeg projects, which set out quite deliberately to build a very strong organizational base for the sponsorship group. In the case of London, it has represented church and labour organizations as well as credit unions. In the case of Winnipeg the organization has had extensive backing from the co-operatives, and the Labour Federation is also involved.

A fourth form of organization is best represented by Vancouver and the nascent Edmonton group. This form of group is composed primarily of likely residents of the project but still sees itself acting as a source of ex-

pertise and potential sponsorship for other groups. This type of organization attempts to maximize early involvement in the co-operative by a great number of residents in the project.

With none of the 1970 projects yet in full operation, we have only Windsor and Willow Park to base any conclusions upon. The situation is further modified because in Willow Park the identification between the sponsorship organization and the daughter co-operative was very high. This is unlikely to be the case with Willow Park East, currently under construction. Windsor and Willow Park are both market interest rate projects, in contrast to the BMIR loans of the 1970 projects.

There are, however, two tentative conclusions that can be drawn from the nature of co-operative organizational experience up to this point. The first is that the most effective organizations are those which have been able to recruit members not so much on the basis of their name or their organizational contacts, but rather persons with some general experience in voluntary organizations and a high degree of commitment to the success of the co-operative housing endeavour. A number of the co-operative organizations have nominal affiliation from groups who do not play any active role in the organization. Their presence on the Board often simply means that a seat is unavailable to someone who would play a more active and decisive role. In some cases where extensive organizational backing is sought, this problem can assume proportions which are quite dysfunctional.

The second tentative conclusion is that the dynamics of the relationship between the 'mother' development co-operative and the 'daughter' housing co-operative must be more fully understood. Windsor shows a pattern where the project was excessively identified with the mother, and where little attention was paid to preparing residents to accept responsibility for the management of the project. Furthermore, CDAW tried to keep a "leash" on the project. In short, the 'mother' was saying to the 'daughter', "you are independent, but you better behave according to my expectations." (A not uncommon motherly sentiment.) "And to ensure it, I'll move in with you" (two mother representatives on the seven man board).

The development of projects through a mother sponsorship technique demands that three processes be carried out:

a) The effective control of the development aspects by the mother until a body of residents is prepared and capable of accepting them;

b) a program by the mother-sponsor to ensure that the principles of co-operation are internalized within the membership of the daughter;

c) a program to ensure that the daughter is trained to manage and govern the project once it is in operation.

Only the first of these is likely to be self-evident to most mother organizations. The other two must become as fully inculcated. It can be expected that projects of low income families will require extensive programs of social animation and training.

Financing of Local Co-operative Organizations and Projects

One of the challenges of developing the infrastructure of a co-operative housing program is the development of adequate financing mechanisms for local development co-operatives. The tendency, of course, is to support such organizations on the basis of development fees. However, development fees are not likely to be able, particularly in the short term, to provide for the funds which are necessary for the promotional, educational and animation programs. Most housing co-operatives have discussed and agreed to, in principle, the payment of an as yet unspecified amount per month ($1.00 is a common figure), a portion of which would go to a local development co-operative, a portion to the regional co-operative, and a portion to the federal level CHF. However, such a program would not likely provide sufficient sustaining revenue until the middle of this decade.

The question of sufficient funding for a viable development co-operative at a local level is linked with the question of the development process of the co-operative itself. To the extent that the Corporation encourages co-operatives as a housing technique for lower income families, then to that extent, it should be prepared to provide funds for seed money for these projects. This means, in concert with the non-profit housing program, a deliberate program of grants, which may be recoverable in the event of a project proceeding, to organizations of intending residents. Such funds would be used for preliminary feasibility studies, preparation of preliminary plans, incorporation, technical assistance, and for sufficient education for the group to be able to proceed intelligently and at its own pace.

Subsidy Programs for Lower Income Families in Co-operative Housing

Co-operatives, like everything else, have no magic formulas for reducing the cost of housing. Experience in the United States has shown that co-operatives can reduce operational costs from 10% to 20% below that of rental housing.[7] These savings are affected through lower vacancy and collection rates, member participation in maintenance programs, lower vandalism rates, and lower administrative charges. It is far too soon to determine whether or not the Canadian experience will be similar. It would seem reasonable, however, to posit an approximate 10% savings of co-operative housing over equivalent rental housing.

A savings of this magnitude, especially when it cannot be assured at this point in time, will not offer sufficient reduction in cost to make co-operatives available to really low income families. The most appropriate means of making such units available would be a rent supplement or housing shelter allowance program. This would be particularly appropriate in the instance of co-operatives and non-profit housing, since there is evidence that the cost of shelter would be below that prevailing in comparable market rentals. The U.S. program, significantly, has in the first instance limited rent supplement programs to non-profit and co-operative projects.

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[7] See comments by C. Franklin Daniels, President, Administration, FCH Services, Inc. at NAHB Seminar, Washington, October 27, 1969; and "Co-op Housing May Fill Your Shelter Needs," Everybody's Money (Winter, 1969-70). See also results of study by Urban Institute of Management & Research released by Philip Thompson, Office of the Special Assistant for Co-operatives, HUD, for additional statistics on the operations of housing co-operatives.

Co-operatives have, in addition, in the 1970 projects, utilized a form of internal subsidization. This could be made a regular practice providing that animation techniques are developed to avoid any form of stigma developing in the co-operative since the program is an internally administered one. It would, however, have to be formally combined with a Corporation commitment to meet revenue losses which may be incurred upon the departure of a surcharged family on whose presence a portion of the subsidy depended.

Such a program is also inadequate since the surcharged members are kept to a fairly small percentage of the population, say 10% to 20%. If, on the average, it took two surcharge members to provide a subsidy sufficient for one subsidized member, then only 5% to 10% of the project would be available to low income families requiring subsidization.

The economics of this are clear and make the problem quite apparent. The surcharge on a unit is likely to be from $15-20. The precise amount would depend on the size of the unit and the difference between the BMIR rate and the NHA rate prevailing at the time the mortgage loan was made. This means that at best a subsidy of $40 would be available to a low income family. Such an amount will not be sufficient for a great many families. If as much as $40 is utilized for a particular family, then it reduces the number of such families to, on the average, half the number of families paying the surcharge.

It is recommended that this program be continued for an experimental period but with a Corporation policy to guarantee the continued residence of subsidized families in the event of the departure of surcharged families.

A program has recently been agreed upon between the federal government and the Nova Scotia government for a subsidized co-operative program in Nova Scotia. This program would provide subsidies to members of building co-operatives under an agreement between CMHC and the Province according to the provisions of Section 40 (35A) of the Act. The Corporation's major hesitancy concerning such a program in Nova Scotia revolved around the possibility of it encouraging subsidized home ownership. This should be, as we have previously indicated in the report, far less a concern in the instance of multi-unit housing co-operatives.

It is suggested that agreements with provinces according to the same model could provide an additional means, without legislative revision, of making subsidies available to low income families in co-operative projects. In such an instance the co-operative, or a non-profit corporation, would be designated as an agency of the municipal or provincial government. The recent agreement between the Ontario Housing Corporation and the YWCA of Metropolitan Toronto might provide some indications of how a non-profit corporation could act in the management position for such a program.

CHAPTER 6

THE CORPORATION AND CO-OPERATIVE HOUSING: A REVIEW OF A NON-PROGRAM

A. Introduction

The Federal Government entered the housing field directly for the first time under The War Measures Act in 1918. Co-operative housing, however, did not make its entry until the new National Housing Act of 1944. This Act included a section on co-operative housing projects that is in essence the same section contained in the NHA (1954) in its most recently revised version. The Act enabled the Corporation to insure loans or to make direct loans to co-operative housing associations. Both building co-operatives and continuing co-operatives are mentioned, but it is quite clear that the continuing co-operatives were in fact building co-operatives which continued to operate under a blanket mortgage until it had been fully amortized or discharged.

During the late 40's, and especially in the 1950's, a considerable number of homes were built by co-operatives on this basis. The Corporation seemed reasonably disposed toward co-operative housing projects during this period, even though there were serious lapses, and co-operative housing projects in their own right posed a considerable number of problems for the Corporation.

It was during the peak of activity by building co-operatives that the basic Corporation policy toward co-operatives was established. Considerable thought and energy was put into the process of developing a sound mortgage lending policy for co-operatives in the mid-1950's.

There seems to have been a genuine effort both by Head Office personnel and by field staff, particularly regional field staff, to analyze their experience with co-operatives and provide a sound basis for policy on co-operative housing loans.

The basic Corporation policy and procedure toward co-operative housing dates from this period.[1]

There has not been a significant review of Corporation policy toward the co-operatives since these basic policy statements of 1958. Much of the remainder of this section of the report will be devoted to examining the effects of applying to current housing co-operatives Corporation policy which was developed over a decade ago in connection with building and continuing building co-operatives.

The Midmore Report in 1962 offered the Corporation the opportunity to shift its position and re-examine its policy on co-operative housing. But this opportunity was not taken. This is in part a judgment on the hardly compelling case for co-operatives provided in the Midmore Report, but it does also indicate that the Corporation went to no lengths on its own to consider the potential of this housing form or how the Corporation might respond to a demand from certain groups in society.

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1 See Secretary General's memorandum re co-operative insured loans, 16 March 1955; General Instructions 322-1 - 322-4, 1958; General Instruction 310, Loans to Continuing Co-operative Housing Associations, 24 June 1968.

The lack of enthusiasm of the Corporation for co-operatives will be explored in greater detail later on. At this point, we should note that the experience of the Corporation with initial housing co-operative projects, such as Willow Park, was not very satisfying. The limitations of the first Willow Park project have been considered previously. This, however, did set a tone, a feeling, within the Corporation, that mediocre or even sub-standard projects would eventually be approved because they carried the co-operative label. Moreover, co-operatives have not been shy in bringing political pressure to bear upon lending decisions. Virtually every co-operative project has involved communication with the Minister. Oftentimes, the intervention of the Minister was not required, and his involvement by the co-operative would necessarily be perceived by the Corporation as a form of harrassment.

Let us look now at Corporation attitudes, and a series of particular points on which Corporation policy, or the lack of Corporation policy, has seriously affected the co-operative housing effort.

B. Co-operative Tenure: Home Ownership or Rental?

Mortgage lending policy is very much a function of the type of tenure to be enjoyed by the eventual occupants of the dwelling unit. The two basic types of tenure provided for in Corporation policy are home ownership and rental. In view of our legal tradition it is quite natural that these forms have been incorporated into the Act, lending regulations, and Corporation policy and procedure. The Corporation's insistence that these disjunctive forms covered all instances,

meant that co-operative housing would be dissected and find itself relegated to one form or another.

During the 1950's, the Corporation steadfastly maintained that co-operatives were basically a form of ownership. There was good reason for this position since the interest of most participants in co-operative building projects was to obtain individual title to their unit. The point at which individual title would actually be assumed frequently occurred upon completion of construction, particularly in Ontario and Quebec projects. In the Maritimes it was more commonly only upon the amortization and discharge of the mortgage. In fact, however, the "when" was quite irrelevant; the viewpoint of most participants was clearly that they were engaged in a process which would lead them to individual home ownership -- the traditional Canadian goal. The Corporation's position was thus in conformity with the motivation of the actors and the eventual form of tenure.

The situation changed, however, in the early 1960's when multi-unit (continuing) housing co-operatives began to be advocated. Instead of the co-operative being a vehicle for building houses, it was now a continuing form of tenure in a multi-unit structure. The Corporation perceived that continuing co-operatives did create a different situation and that previous policy could not be simply carried over. Yet the brief review of the new situation did not result in any new policy. When the question of applicable loan limits arose in connection with Willow Park in 1963, a Corporation opinion advised, "I must admit that the Act, as it is written, is not clear...and superimposes on top

of this confusion the fact that a member of a continuing co-operative is neither a home owner or a tenant...The general intent of the Act seems to be to place an individual, who as a member of a co-op collectively owns his housing, in the same position as a home owner".[2]

The opinion also pointed out that Corporation policy confounded the form of housing (apartment, semi-detached, etc.) with the form of tenure, and the opinion was in serious measure dependent on this fact.

This opinion thus hardly settled the matter and the question of home ownership or rental arose in connection with a number of matters in the course of the Willow Park project. And it continued to rise in the course of subsequent projects. Almost three years after the opinion, Head Office, in response to a Windsor Office memorandum, reviewed the Willow Park project and referred to "individual owner tenants...whom we have treated basically as home owners." The co-operative, "in fact, does represent a form of home ownership, although expressed in leasehold form".[3]

As the language indicates, the conceptual gymnastics necessary to keep co-operatives in the home ownership box were becoming quite elaborate, but the Corporation persevered. General Instruction No. 310 of June 24, 1968 advised that in co-operatives, "A form of ownership of the units by the members is achieved through individual long-

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2 A.D. Wilson, General Counsel, to T.B. Pickersgill, Prairie Regional Supervisor, 1 October 1963.

3 A.D. Wilson, Executive Director to R.C. Ballard, Manager, Windsor Office, June 14, 1966; see also H.W. Hignett, President to J.F. Midmore, March 15, 1968.

term leases." And the Minister was advised that Corporation policy was to treat co-operatives as a form of home ownership.[4]

Although the Corporation strove to maintain the position that co-operatives mean home ownership, there are many instances of where a rental policy prevailed. The Approved Lenders' Handbook, for example, advises lenders to process continuing co-operative applications as "rental loans".[5]

Numerous questions have arisen in connection with lending policy on particular loans. In the Abbotsford, B.C. project, for example, the matter of the inclusion of kitchen appliances in the loan arose. The Head Office response was negative since co-operatives were a form of ownership; if it were a rental loan, then they would be admissible. They have, however, been allowed in most other co-operative loans.

In general, Corporation lending and appraisal policy has been relatively sensible and even generous to co-operatives. Yet, a considerable amount of policy and procedural uncertainty continues to exist, and much of it flows from the lack of a clear policy for co-operatives which would begin with a recognition of their distinctive form of tenure.

The Corporation's position -- "attitude" might be a more appropriate term -- results from the inter-section of three mutually reinforcing factors: First, the Corporation's memory of its 1950's experience with building

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4 H.W. Hignett, President (A.D. Wilson) to Hon. R. Andras, Sept. 24, 1969.

5 Amendment 49: Part A, Section 14. Issued May 13, 1970

co-operatives. During this period it was reasonable to regard co-operatives as a development form leading to home ownership. Second, was the frequent use by housing (continuing) co-operatives of the term and allure of home ownership in project advertising. The Corporation concluded that co-operatives "promote entirely the concept of ownership rather than tenancy".[6] Third, was the long-standing Corporation position that co-operatives could not be allowed access to the limited dividend section of the Act; this position was bolstered if co-operatives could be consistently regarded as home ownership since limited dividend provided for low rental housing.

In response to the first point, co-operative housing policy should have been re-examined with the emergence of multi-unit housing (continuing) co-operatives which were not functionally co-operative in the development phase but were as an enduring form of tenure. This change from a co-operative development form to co-operative tenure should have occasioned a review of the attitude toward co-operatives as essentially home ownership. It is true that co-operatives have frequently used home ownership language in their project advertising, but this has almost always been offset by the clear explanation that co-operatives did not involve individual title. Co-operatives have appealed to the aspects of home ownership which center on security of tenure. Even if co-operative spokesmen have not been as clear minded on this factor as might be desired, the Corporation could have taken a more sophisticated view. The third point, the desire to keep co-operatives excluded from limited dividend financing,

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6 H.W. Hignett to Hon. R. Andras, Sept. 24, 1969.

is clearly the determinative one. This will be examined in detail further on.

In addition to its failure to carry out a policy review on this point, the Corporation failed to perceive that co-operatives were in fact a distinct form of tenure which was neither home ownership nor rental housing. (This fact is certainly clear in the literature in U.S. law journals if it had been examined.) If the response to this is that the Act did not so establish co-operative housing, then the Corporation should have taken advantage of the several occasions on which the Act was amended in the 60's to seek a remedy.

This remedy is still necessary. By the judgment of the Corporation's General Counsel, the Act is "not clear". When this lack of clarity is added to the distinctive nature of co-operative tenure and the vague brevity of the Act as it stands, the need for revised legislative provision for co-operative housing is apparent.

Our common law tradition has customarily been interpreted as providing for two forms of tenure: the absolute right of freehold and the severely curtailed rights of leasehold. Attached to freehold were many of the prerogatives of full citizenship including suffrage. In this century, however, the "absolute" right of freehold has been subjected to serious constraints. Zoning regulations and housing codes, for example, limited the rights of the owner in the enjoyment of his property. It has become increasingly clear that freehold is not an "absolute" right, but a package of rights and responsibilities which were more less present in individual instances. The emergence of condominium tenure has made this quite obvious.

If co-operative tenure is approached from this more recent understanding of ownership, then it becomes clear that co-operative tenure shares some of the features of the package of home ownership rights and responsibilities, and some which are much more closely aligned with that of leasehold.

Let us briefly examine the following four key factors.

One of the most widely accepted benefits of home ownership is the right of the owner to benefit from the build-up of equity from mortgage principal repayments and from any increase in value of his unit. In co-operatives, members make some form of deposit toward their occupancy; this amount is often referred to as an equity contribution or, more commonly, as a downpayment. This latter of course suggests freehold. (Co-operatives have and are seeking other terms which do not encourage or permit ambiguity.) In practice, co-operative tenure can allow, discourage or even eliminate this feature of home ownership. Commercial housing co-operatives developed for higher income groups customarily allow an occupant-member to resell his unit on the open market. In this situation, the appreciation feature of home ownership is preserved. The policy of housing co-operatives fostered by genuine co-operatives has been for only very limited appreciation, if any. New York's United Housing Foundation has had a constant and resolute policy of no appreciation at all. The practice of the Canadian (continuing) housing co-operatives of the sixties has been similar; the unit is returned to the co-operative by the member-occupant who receives his deposit or down-payment back subject to minor adjustments. This policy of

"par value" has been endorsed by the Co-operative Housing Foundation, and is strongly recommended to local housing co-operatives for reasons of principle and pragmatism. Thus, the appreciation feature of housing ownership is foregone.

The Corporation has acknowledged, albeit rather backhandedly, the commitment of co-operatives to the par value approach. General Instruction No. 310 states: "Potential profit thus accrues to the association while any loss would be borne by the occupant member." The surrender of a potential gain while risking the possibility of loss of one's "investment" is hardly an ownership situation.

A closely allied right of ownership is the right to secure continuing occupancy. Secure occupancy is a feature denied to tenants except within the narrow limits of a lease.[7]

Co-operative occupancy patterns have not yet assumed a uniform shape, and may never do so because of differing provincial legislation. The present trend is in marked contrast to the common U.S. approach of a lease of three or more years. The approach of co-operatives in Canada is the use of an occupancy agreement without terminal date, which provides for the basis on which either party may terminate. A member-occupant who does not fulfill his responsibilities, financial or other, under the agreement may be required to vacate. This is of course not as secure as home ownership, yet it is a great deal more secure than tenancy.

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[7] See the recent CCSD review of landlord-tenant legislation; M. Audain & C. Bradshaw, Tenant Rights in Canada (Ottawa: CCSD, 1971).

A third feature of home ownership versus rental, particularly from the Corporation's policy standpoint, is revealed by the differential treatment of required incomes. For home ownership, the minimum income is related to Gross Debt Service (GDS) while for rental it is related to the cost of a fully serviced unit (i.e., including the cost of all utilities and heat).[8] The logic here is that the home owner has discretionary control of amounts to be disbursed for maintenance and utilities, while the tenant has fixed obligations according to his lease or verbal agreement. The minimum incomes are thus related to housing disbursements controlled by the occupant in question. Corporation practice toward co-operatives has varied greatly, but in general the rental-charge for a fully serviced unit has been used. In any case, co-operatives generally require a monthly payment which includes all utilities, and thus reduces the occupant's discretionary control and the benefit of this commonly appreciated feature of home ownership. This feature has been weakened more generally with condominiums which allow little individual discretion for maintenance.

A fourth common feature of home ownership is the right to alter or redecorate one's unit at will. In co-operatives this is a sharply conditioned right. Co-operative-occupants usually retain the right to redecorate, but alterations require the permission of the Board. In some cases co-operatives have a policy of reimbursing departing residents for the value of previously approved im-

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[8] See National Housing Loan Regulations 28 (1) (a) and General Instruction No. 344, 12 August 1970.

provements (see Willow Park occupancy agreement) but this has been troublesome administratively and its future in this and other co-operatives is in question. The root difficulty is that if the departing resident is to be reimbursed, the incoming resident must make a larger equity deposit or downpayment. This is the source of the reimbursement funds. This of course can increase the difficulty of obtaining a new occupant, and in most events, moves the project out of the range of low income families. In sum, the co-operative form does allow the resident to make alterations within limitations of Board permission. But the opportunity for financial gain from this is curtailed by the administrative techniques and requirements of "par value" co-operatives.

On the basis of these four key factors, co-operatives are deficient in the most commonly appreciated features of home ownership. In light of this, it is hard to continue the policy masquerade of co-operatives as ownership. Rental is equally inappropriate. The only reasonable response is to recognize the distinctiveness of a third form of tenure. This recognition should begin with the revision of the Act and extend to the regulations and policy and procedure.

C. The 80% Membership Requirement

The National Housing Act (1954), Section 8, stipulates that a loan may not be made to a co-operative unless the corporation is satisfied that 80% of the units in the co-operative are to be occupied by "members or shareholders of the co-operative association"-- Mutatis mutandis. The same condition applies to building co-operatives.

This stipulation arose in connection with building co-operatives and continuing building co-operatives. In that context it seems reasonable enough. The Corporation had several unfortunate experiences with building co-operatives where they were used by some members of the co-operative to make a profit either by selling their own house or by selling surplus houses at a price exceeding the cost of constructing them. Since this form of co-operative housing is a very particular form of self-help, it does not seem unreasonable to provide that the houses which are constructed shall go to members of the co-operative and that this shall be the principle upon which a loan is made and a project developed.

On the strength of the Act's provision for continuing co-operatives, this stipulation has been carried over to the newer (continuing) housing co-operatives. What is at issue here is the manner in which this statutory stipulation has been interpreted and administratively applied by the Corporation. We shall examine this and then pass on to a consideration of its utility as an instrument to prevent speculation, to encourage participation, to provide lending security and as a desirable policy, particularly with reference to lower income co-operatives.

The statutory requirement of the Act has generally been interpreted by the Corporation to mean that prior to loan approval, a co-operative must have members signed up for 80% of the units. If the loan is approved before this requirement is met, then no advance could be made by the Corporation prior to the fulfillment of the 80% requirement. General Instruction No. 310 expresses it in the following manner:

"5 (2) The Act requires that 80% of the units in the project must be occupied by shareholders of the co-operative. Responsibility for ensuring that this is the case lies with the lender. Before direct financing may be approved, at least this proportion of the total membership must be signed up as shareholders and accepted as borrowers. Ideally, the membership should be 100% subscribed and accepted before advances are made."

The Corporation has on many instances in meetings and correspondence with co-operative representatives stressed that their policy on loan approval and progress advances was a matter of statute. Yet the performance of the Corporation has varied greatly.

In the case of Willow Park, the Corporation used this provision of the Act to withhold an advance until 50% of the units were <u>occupied</u> by members. In Windsor, the Branch Manager viewed the 80% requirement as the responsibility of the co-operative. Once the co-operative received supplementary letters patent incorporating this 80% provision, the manager made progress advances on a normal basis. Letters sent from Head Office to branch offices in connection with the approval in principle of the co-operative projects under the $200 Million special program generally contained a clause stating that 80% of the units must be occupied by members of the co-operative. This was not always related to the basis on which advances would be made.

The Calgary co-operative was instructed that no advance would be made until applicants had been approved for 80% of the units. Once construction was underway, the co-operative met with senior management of the Corporation and the required percentage was reduced to 50%. Willow Park

East had been advised from the start of a 50% approved applicants requirement. It should be noted that the only reason the Western co-operatives are able to continue under this adverse policy is because of the assistance received from co-operative financial institutions. In Ontario, the absence of such institutions for bridge financing would effectively eliminate co-operative development.

In London, the Corporation was exceedingly helpful and made an advance to the co-operative even prior to the commencement of construction for the purchase of land and payment of service levies. In Toronto, Co-op Habitat received initial advances on a normal basis but it has been advised that advances will continue to be made only in connection with some evidence that the co-operative is disposing of units to applicants within the target population.

On the other hand, co-operatives have had exceedingly unfortunate experiences with the Corporation when they have attempted to fulfill this requirement. The Calgary project, which has been analyzed previously, had virtually 80% of its members signed up and $180,000 in deposits accepted. These members were accepted on the understanding that the income limits would be basically those of Section 15 (16). When the Corporation imposed much more severe income restrictions, then most of the members were suddenly ineligible and the percentage of membership dropped greatly.

Furthermore, the pace at which housing developments are moving at the moment does not allow a co-operative the two-year lead time which might be necessary to build up a considerable bank of members. Calgary is also a good example

of this. From the period when they began to discuss the project until the time when units actually became available the nature of the housing supply in Calgary changed very substantially. At this point the co-operative is having to compete with a great number of other projects financed by CMHC for lower income families. The Edmonton co-operative has also attempted, for reasons quite independent of the Act, to build its entire membership and to engage them in the planning of a co-operative housing community. The local office of the Corporation regards this approach as simply "Utopian".[9]

Co-operatives have thus had this requirement used against them from both directions.

The question in all of this is, of course, that if the 80% unit membership prior to loan approval or progress advances is indeed a statutory requirement, on what basis do branch office or even Head Office officials of the Corporation feel able to alter it at will?[10] Why is this requirement administered in such different ways to co-operatives in various cities?

The fact of course is that it is not a statutory requirement. The Act simply sets out a minimum membership requirement. It does not state that it must be met prior to occupancy, though it would require compliance upon occupancy. The Corporation has, however, found it expedient to involve statutory authorization ("it's beyond our power") for their loan approval and advance policy.

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9 Interview with Assistant Manager.

10 R.W. Ford, Assistant Director, Loans Division to Calgary Assistant Branch Manager, January 17, 1968.

Within its own walls, the Corporation has admitted this. Head Office advised the Calgary branch that the 80% was an "objective" rather than an "absolute requirement" before loan commitment, but that it should be "imposed" before advances were made. Interviews on behalf of the Task Force, however, revealed a continuing unwillingness to acknowledge a disingenuous Corporation practice.

What then is the reason for the Corporation policy?

The basic reason is to reduce Corporation risk in direct lending. Obviously, if the applicant has occupants pre-committed for the great majority of units, prior to the making of progress advances, then the lender's risk is substantially reduced. But the policy for co-operatives provides much more security than the Corporation seeks on loans to an entrepreneur or developer (even a fledgling one with few net assets) or even on a loan to a non-profit corporation. The policy then flows from the dominance of the mortgage banker mentality: corporation security is primary.

But this customary cautious attitude has been augmented by the Corporation's lack of enthusiasm for co-operatives which leads to "hedging the bet" on co-operative loans even further, to an extent unparalleled in any other program. In short, it would seem that the attitude toward co-operatives has been more the reason than the simple mortgage banker's general tendency to reduce risk.

In addition, of course, this policy gives the Corporation substantial control over a co-operative during the development period, and this control leverage is both obvious and a source of resentment among co-operative housing leaders. They clearly see this policy being applied to them and not to many other local builders of no more demonstrated competence or reliability as a clear instance of discrimination which bespeaks the Corporation's attitude toward co-operatives.

It would seem that instead of the 80% policy, that the Corporation's loan security should be based on the effective demand for housing among the co-operative project's target population and the reliability (not net assets) of the co-operative applicant. The mortgaged property stands behind this. If the Corporation is convinced that the demand for the project is not present or that the applicant is not capable of carrying it through, then it should refuse to make a loan on those grounds. It is hardly a commendable policy to grant a loan which seems unjustified, and thus pass the risk on to the co-operative already judged incapable.

A standard policy of 80% unit disposition prior to advances seems even less necessary because of the Corporation's retention of the right, under its standard direct loan mortgage, to cease making mortgage progress advances at any time at its discretion. This gives the Corporation both sufficient leverage and security if it feels that a project is going sour during construction.

Is it reasonable and useful to retain the requirement to encourage participation in the development phase? Any

such policy would seriously handicap co-operative development for the balance of the decade. This results from the present sparseness of housing, or other co-operatives, in Canadian cities, and the dynamics of project development.

At present most Canadian cities are without an operating housing co-operative, or a co-operative housing organization. In their absence, and in the absence of a specific proposed project, it would commonly take from one to three years to build any extensive membership for a project. Even then it is far from certain whether it would be successful. The Co-operative Habitat Association of Toronto ran weekly promotional meetings for months with very little response. It is difficult to introduce people to a new concept of tenure and organization in the absence of a specific proposed project. In this sense the co-operative situation is parallel to that of condominiums. What would have happened if the Corporation had required early condominium proponents to presell 80% of their units before loan approval or advances? Even many thousands of units later, and with increased public awareness, what would be the result of this approach now? Co-operative groups hardly have the promotional budget of condominium proponents.

A lay group, even with competent technical assistance, usually finds the task of packaging its first project extremely demanding. Keeping the many different aspects synchronized is a difficult matter in its own right. And without advance funds for land purchase, groups often have option deadlines to contend with. On top of this, market conditions can change with relative rapidity. In this situation, the time and the energy necessary to develop a

membership is likely to be beyond the capacity even of an able and dedicated organization.

Any percentage, then, sufficient to provide additional lending security, would be beyond reasonable expectation, and any lesser percentage would not provide a real increase in participation. A percentage policy then serves no productive purpose. At the end of the decade, or at such time as co-operatives are present in most cities and co-operative tenure is generally familiar to Canadians, then the reintroduction of a percentage policy might be reconsidered. To continue one at this time is only to continue to handicap co-operative development.

Furthermore, the more co-operatives are oriented toward providing housing for lower income families and single people, the less likely will they be able to fulfill the 80% membership requirement prior to loan approval or the first mortgage advance. Many studies have shown, and it is a common experience of persons working in inner city areas, that the objective situation of lower income families is not such to enable them to plan for two to three years in the future when a co-operative housing project might actually be built. This is a function of the instability of the jobs which provide them with their meagre incomes, and of living in housing without leases. The aura of uncertainty created in this situation spreads over into other parts of their lives and makes it extremely difficult, for objective reasons, to make longer term commitments. E.C. Banfield hinges the argument of the Unheavenly City[11] on a subjective version of this argument.

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[11] Boston: Little, Brown and Co., 1970.

Even when the 80% requirement was enforced, it did not lead to participation of residents in the development phase. Willow Park is a good example. In certain instances, Vancouver could serve as an instance. It has encouraged the co-operative to build its membership early, and since the co-op was quite oriented toward participation, it encouraged this also. But in general, the realistic dynamics of development mean that large scale participation (a majority of eventual residents) is unlikely, and the 80% requirement does not guarantee or greatly increase its likelihood. At best it provides mild encouragement, which could be better achieved through a more direct approach. In the U.S., both the UHF and FCH development models are non-participative. The co-operative vehicle does of course allow a core leadership group to penetrate the mystique of residential development, and provides a valuable opportunity for significant growth in knowledge and self-confidence. This in its own right is no small matter. Successive projects should enable the co-operative to widen this aspect of participation. In new project developments, however, participation is unlikely to be the experience of most future occupants.

D. Co-operatives and Limited Dividend Financing

Co-operatives have long felt that the lack of sympathy for -- or even positive prejudice toward -- co-operatives within the Corporation has been best expressed by the reactions to their persistent attempts at limited dividend financing for low income residents of co-operatives. This is important enough to justify an extensive review.

The first entry in the first co-operative policy file, in fact, concerns a request from Vancouver for a co-operative limited dividend loan. The reply of the Corporation was negative. On 21 June 1946, a memorandum prepared for the Minister, respecting loans to co-operatives under Section 9 of the NHA, which at that time was the limited dividend section, pointed out that loans at 3% as provided in Section 9 are not available to co-operatives because they have not been able to meet the conditions of Section 9: "The principal difficulty has been that the proposed projects are not real rental housing projects."[12] These were evidently small building co-operative projects with the equity to be put up by the individual occupants, and where the co-operative made no bones about the fact that it was really interested in home ownership as soon as the loan was paid off.

D.B. Mansur, President of the Corporation, in a memorandum to the Hon. G.J. McIlraith, Parliamentary Assistant to the Minister responsible for CMHC, and dated 27 April 1948, reported that a brief submitted by the Co-operative Union of Canada requested that limited dividend loans be made available to co-operatives. Mansur pointed out that, "Most of the co-operative schemes which we had seen made representations to prospective members that apart from form, they would have all the benefits of home ownership". Mansur argued persistently in successive years that if limited dividend loans were made to co-operatives then it would be very hard to reconcile the Corporation's principle of not providing loans at limited dividend rates to individual home owners.[13]

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[12] Memorandum : H.C. Linkletter, 21 June 1946.

[13] See D.B. Mansur to Hon. R.H. Winters, 6 April 1949; 12 April 1949, and 11 September 1950.

This persistent discouragement evidently did its work well because there are no further indications of requests by co-operatives for limited dividend financing during the balance of the decade. A review of the CUC brief of 1955 began by noting, "One of the interesting aspects is the total lack of reference to obtaining co-operative loans under Section 16 of the Act, the Limited Dividend Company Section. It would seem that they have discarded this approach, the rather futile repetition of which tended to spoil some of their past presentations."[14]

The next time the matter surfaces in the policy file is in a 1960 brief from the Co-operative Union of Canada to National Directors, setting out how co-operatives might sponsor a sustained program of strict limited dividend projects, and in these instances the equity would not be put up by the residents but would be put up by co-operatives, credit unions, labour unions and other organizations, with the residents of the project as strict tenants. This proposal may have been the impetus to the formation by United Co-operatives of Ontario of the Twin Pines Apartments Limited. This was a limited dividend corporation, which intended to mount a sustained program of developing small, limited dividend projects for senior citizens in many Ontario communities.

From the evidence in this file, and my understanding of the general nature of building co-operatives, it certainly was the intention of both their proponents and their actual members that the project should at some point in time result in individual ownership of the particular houses. As Mansur reiterated constantly, these really were projects

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14 H. Woodard to the President, March 7, 1955.

in which home ownership was the goal. In this situation it does not seem unreasonable for the Corporation to have denied access to limited dividend loans. However, when one realizes that under Section 9 the amortization period was 40 years and under Section 15 (16) of the Act of 1949 it was extended to 50 years, and that individual home ownership would not be possible until the amortization period had been completed, it becomes clear that the Corporation's objections were really quite scholastic. Mansur, in particular, however, saw the implications of co-operatives achieving access to limited dividend loans as being immense. He constantly refers to this as logically opening up limited dividend loans to any owner with the resultant effect of shaking the entire interest structure of the economy![14]

The national leadership of the co-operatives began to consider again co-operative activity in the low income housing field in the early 1960's. Much of this consideration was prompted by Dr. Alexander Laidlaw, National Secretary of CUC and a director of CMHC.

The Midmore Report, published in 1962, contained among its recommendations the following paragraph:

> "Revised interest rates under the present National Housing Act, housing for people of low income, university students and elderly persons is financed at preferential interest rates. When members of co-operatives belong to the same broad classes, the mortgages on their housing should be subject to the same preferential treatment."

The Midmore Report, however, contained little additional analysis to support this statement. Neither did the report carry through to material suggestions as to how

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[14] D.B. Mansur to Hon. R.H. Winters, April 6, 1949, April 12, 1949, and September 11, 1950.

the National Housing Act or the administrative procedures of the Corporation might be amended to enable co-operatives to actually obtain access to the below market interest rate.

Even the Corporation thought that the recommendations were not sufficiently tight or precise. On July 24, 1962 H.W. Hignett wrote to J.F. Midmore as follows:

> "We also think that recommendation No. 2 might be clearer if it were re-worded. Under the present National Housing Act, any member of a co-operative who is also a 'senior citizen, a person of low income, or a student' is eligible for accommodation in NHA projects, financed under Section 16 or Part VIA of the National Housing Act. We presume that the point you wish to make is that the Act should provide for a preferred interest rate to co-operatives where they wish to obtain financing to provide housing for their members who are senior citizens, of low income, etc."

The letter, however, offered no opinion as to whether or not a request would be supported by the Corporation.

No further action was taken within the Corporation on the basis of the Midmore Report, since the predominant conclusion within the Corporation seems to have been that any follow-up steps were "entirely a question for the co-operative movement itself."[15]

In 1963, George Davidovic, Research Director of the CUC, produced a lengthy paper on "Housing Legislation and Co-operative Housing."

When the Advisory Group of the Corporation reviewed the Midmore and Davidovic reports, they could not seem to quite grasp how a co-operative organization could provide housing under limited dividend and still be faithful to itself as a co-operative. "It is difficult to see how a co-operative could undertake to reserve occupancy for special groups of low income or otherwise disadvantaged people, and still remain a co-operative, but if it could, there does not seem to be any reason why it should not qualify for the special lending terms provided in the Act for such projects. In such a co-operative project, however, the tenants themselves could have very little control over occupancy, either their own or that of others, and this does not seem to be characteristic of what co-operative housing usually seeks."[16] This judgment seems to be based on the expectation that a co-operative limited dividend project would be controlled by a co-operative which did not include the residents of the project as members.

This period marks of the emergence of a crucial equivocation on the meaning of "co-operative". The Corporation began to suggest that a co-operative could be an eligible Section 16 borrower. But the co-operative they had in mind would not contain residents of the project among its membership. It would simply be a Section 16 project sponsored by a co-operative organization whose primary field of endeavour was not housing. The CUC was, of course, encouraging its members to become involved in this form of housing, but this was not the type of co-operative for which legislative or policy change was being sought.

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16 R.T. Adamson to H.C. Linkletter, May 21, 1963.

Co-operatives were seeking a positive policy toward Section 16 projects which would be owned and controlled by the residents. Co-operators saw no difficulty in making income limits a condition of continued occupancy.

Co-operatives certainly had regulations enabling them to resume control of a unit where the occupant was in contravention of various financial or behavioural requirements. In this sense, continued occupancy of a unit in a co-operative housing project is not unlimited. A certain maximum income limit, could easily have been stipulated without destroying the co-operative nature of the project, which inhered in the significantly greater control over their environment that members would have in this situation as against that of a commercial limited dividend project.

This discussion, however, did not lead to any changes in the National Housing Act allowing co-operatives to borrow at preferential interest rates, nor was there a change in the perceptions and administrative policies within the Corporation on the matter.

There seems to have been little discussion within the Corporation concerning co-operatives and limited dividends during the middle 60's. In fact, the topic does not arise again until the National Labour Co-operative Committee's programme of promoting co-operative housing started to excite interest in many communities during 1968.

1968 opened with the Calgary Office requesting Head Office to inform them as to whether a co-operative project by building trade members would be possible under

Section 16 of the Act. The response from Head Office emphasized that a union could sponsor a limited dividend project, providing that they proceeded in accordance with the general criteria for the acceptability of a limited dividend borrower. "Any families which it proposes to house must, of course, meet the income requirement. Furthermore the Charter of the company would not be acceptable if it contained any restrictions as to particular low income families that would be housed."[17] The meaning of the last statement is that the co-operative would not be able to give preferential treatment to members of the building trades. Contact between the Corporation and the NLCC for the balance of the year was largely with reference to the proposed co-operative project in Windsor, Ontario.

On February 6, 1969, the President of the Corporation wrote to the Minister, the Honourable Paul T. Hellyer, about co-operative housing and proposed the following:

> It is proposed that the definition of a limited dividend company in Section 16 be widened so as to include certain housing co-operatives comprising low income families. Specifically, a housing co-operative would only be eligible under this definition if it was a low income continuing co-operative with the members owning shares in the co-operative and having possession, but never becoming owners of the individual units (e.g. Willow Park). Thus, such co-operatives would be entitled to 95 % loans repayable over 50 years at a preferred interest rate - the same terms as are proposed for loans made on limited dividend projects. The low income requirements governing these co-operatives would also be the

17 R.W. Ford, Assistant Director, Loans Division, to Assistant Branch Manager, Calgary, January 17, 1968.

> same as the limited dividend projects to that the operating agreement with the co-operative would ensure that shares in the co-operative which carry the right to the possession of individual units were only sold to low income groups during the fifteen year "lock in" period.

Generally this is the precise revision to the Act which co-operatives, both prior to and after the date of this memo, had been requesting.

When the Act was amended in the spring of 1969, Section 16 was changed significantly and the eligible borrower was described as any "person", rather than as a limited dividend company. Co-operatives thought that their work to obtain a revision in the terms of this section of the Act had been successful. The notes to the amendment and the parliamentarian's version of the Act, and a statement in Canadian Housing Statistics seemed to indicate that co-operatives were now eligible. The 1969 CHS states, for example, that under the changes in Section 16, "Loans may be made to any person or any type of organization, including a co-operative" (Page XVI).

But the Corporation was again equivocating on the meaning of the word co-operative. Co-operative in this instance did not mean the form of co-operative described in the President's memorandum to the Minister. It did not mean a "low income continuing co-operative with the members owning shares in the co-operative and having possession". The change in the Act was interpreted by the Corporation simply to mean that co-operatives could now sponsor limited dividend projects. Because the Act had been changed a project could now formally be sponsored by a co-operative without

the need to create the intermediate corporate vehicle of a separate limited dividend corporation such as Twin Pines Apartments Ltd. The interest of co-operators, however, was not in the requisite corporate vehicle, it was in actually enabling true co-operatives composed of the residents of a particular project to be eligible to receive a mortgage under Section 16 of the Act. In general, the co-operative recognized and was willing to conform with the income limitations under this section of the Act.

The best indication of the position of the Corporation on this matter after the amendment of Section 16 is contained in a memorandum from A.D. Wilson to the President. The text of this item is quite important and we are including the complete text.

MEMORANDUM

CENTRAL MORTGAGE AND HOUSING CORPORATION

Head Office

Mr. H.W. Hignett
President

May 27, 1969

Section 16 loans and Co-operatives

There is a continuing amount of confusion being created by attempts by the C.H.F. to obtain an interpretation for Section 16, as amended, provides low interest rate loans for home ownership in co-operative form. In these simplified terms the legislation does not fit since it still provides loans, for low rental housing projects. Under the legislation a co-operative could obtain a loan under Section 16 renting all the units to its members provided they are families of low income. The operating agreement would be the same as for other low rent housing sponsors and would require a kickout when the tenants cease to be persons of low income. It is the latter feature that is causing the C.H.F. some pain and suffering because it is inconsistent with the home ownership pitch the co-operatives have been using.

It would be possible for us, and I have indicated to Jim MacDonald that we would consider the matter, to make some alternate arrangements to the kickout. The simplest technique would be to increase the interest rate on a unit occupied by an over income family to the economic rate. Presumably the co-operative would equally increase the rent to cover the interest differential. This alternative would have to be available before the end of the 15 year lock-in and you will recall that even the 15 year lock-in under present policy requires repayment of the balance in full.

There remains one small problem in the resolution of the matter, namely who provides the equity? I find it a little difficult within the concept of low rental housing to accept the propriety of limiting its accessability to low income people who have a 5% equity.

A.D. Wilson
Executive Director

ADW:hdm

Handwritten note to Mr. Wilson
OK - we stay with rental Housing
H.W.H. 28 May 1969

The memorandum asserts that co-operatives are home ownership. It refers to "home ownership in co-operative form" and "the home ownership pitch that co-operatives have been using". This, however, is quite contrary to fact. Co-operators have been quite clear that multi-unit, par value co-operative projects do not provide home ownership. They were, however, interested in seeing that co-operative projects preserve security of tenure. This is simply one of the elements, the total of which combine to make up what under commonlaw is referred to frequently as home ownership. One of the objects of co-operative tenure is to reduce the uncertainty of tenure, which is commonly the situation of a renter.

Co-operators, both because they were interested in mixed income communities, and because they did not want to have to force members to move out, had proposed that those with incomes over the maximum Section 16 limit pay a surcharge. The effect of the surcharge would be to eliminate the interest subsidy which the co-operative as a whole would be receiving with the BMIR rate. The co-operatives saw that, with this amendment to administrative policy (which the co-operatives thought the Act previously provided for[18]), co-operatives would be able to legitimately operate within the terms of reference of Section 16 and provide housing to low income families. In other words they would operate on the same basis as had been visualized in the memorandum from the President to the Minister.

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18 Section 16, 5(a): "The Corporation shall have the right to designate persons other than families of low income to whom housing accommodation provided by the project may be leased."

The memorandum of May 27th, however, raised an additional item -- that of equity. By ruling out the equity coming from the members, the memorandum eliminates true co-operatives from borrowing under Section 16 of the Act. The response of the President noted in the lower right hand corner, clearly indicates that the identification of co-operatives with home ownership was a successful approach to eliminating co-operatives under Section 16 of the Act.

A subsequent memorandum prepared for the President to present to the Minister, continued the same view of co-operatives as a form of home ownership and the request of co-operatives for access to Section 16 funds as a request for subsidized home ownership. "There have been for many years proposals put forward that the Federal Government should subsidize home ownership in one form or another. Indeed the co-operative management for many years has sought a favourable interest rate for co-operatively sponsored housing. They may have been right, that in the absence of favourable interest rates, they have produced virtually no volume of housing during that period with the exception, of course, of the small co-operatives in Nova Scotia who do enjoy a subsidized rate."[19]

The memorandum went on to discuss the co-operative's request for access to Section 16 funds. It reads as follows:

> "We are presently prepared and authorized to provide loans to the same level and covering the same amenities for co-operatives as for any other form of housing ownership. We took the view when the brief was originally presented to us that

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[19] H.W. Hignett, President (A.D. Wilson) to Hon. R. Andras, September 24, 1969.

> Section 16 however provides favourable interest rates for low income tenants whose entitlement to occupy the housing ceases when they cease to require the subsidized interest rate. This means, for practical purposes, that we would finance a project sponsored by a co-operative in precisely the same manner as one sponsored by any private developer, subject to the same provisions for rent control and income eligibility limitation. The co-operatives on the other hand, while relying on the technicality that the occupant is a tenant promote entirely the concept of ownership rather than tenancy, and they have indeed proposed that the tenants provide the equities required to finance their units. We feel this to be inconsistent to the basic concept of the legislation as it is presently written."

This marks a reversion to the co-operative as a sponsor only; far less so than the proposal which had been presented to the previous Minister. True co-operatives are still ruled ineligible. In view of the previous proposal to the Minister it is hard to see why the provision of the 5% equity by the resident member should be put forward as unconscionable.[20]

Co-operative leaders met with the Minister and senior officers of the Corporation on October 27, 1969 to talk about a variety of matters concerning co-operative housing. A generous portion of the discussion centred on co-operative access to Section 16. It is the impression of co-operators who were present at the meeting that the Minister agreed to fund a few genuine co-operative projects on an experimental basis under Section 16.

[20] A memorandum prepared the next month, October 24, 1969, for the Minister's Office prior to his meeting with the Co-operative Housing Foundation maintained the same position.

The letter sent by the Minister to the NLCC after the meeting was, however, somewhat less committal:

> "There is no doubt that cooperatives might also effectively act as the sponsors of rental housing projects for low income families, funded under Section 16 of the National Housing Act. As I recall, we agreed that you would explore with Central Mortgage and Housing Corporation, the possibility of developing an initial exploratory project. I am very hopeful that workable techniques can be developed which will permit occupants to own equity in the project, and when they are able to do so, pay fully economic rent."

This letter, as initially drafted by A.D. Wilson, contained an additional statement. "Such a project might be originally occupied by persons lacking downpayments and unable to pay rent sufficient to capitalize the project to current high interest rates." This sentence had been removed by the Minister's Office. Removing it tacitly informed the Corporation, if not co-operatives, that the Minister was open to proposals where the equity would be supplied by the member residents.

It is only somewhat later that there is a forthright statement that the Minister had indeed agreed to make a few loans on an experimental basis. "The Minister has indicated to the National Labour Co-operative Organization that he would be prepared to approve a loan under Section 16 to a co-operative even though the latter requires the provision of full equity from the tenant as a condition to entry."[21]

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[21] A.D. Wilson, Executive Director to R.E. Sheppard, Director, Loans Division, December 9, 1969.

This agreement by the Minister is recognized in a few subsequent internal memoranda,[22] but the only external reference was contained in the letter to J.F. Midmore of CRSL which was cited in Chapter 4. There can, then, be little argument that an agreement was made.

Notwithstanding the agreement of the Minister, however, the co-operatives groups which approached the Corporation in various cities were told that co-operatives were not eligible under Section 16 of the Act, and that all co-operative loans would be made under Section 40. The Regina project did not proceed because of the general economic conditions in the Prairies, and the Winnipeg project, which was the subject of the question in the previous paragraph, was also eventually given a loan under Section 40 of the Act, although the co-op had initially approached the Corporation for a Section 16 loan. The writer is aware of a number of other co-operative groups which approached various CMHC offices and which were told in each instance, usually after consultation with Head Office, that Section 16 loans were not available to co-operatives.

The following is cited as a typical response of Head Office to a query from the field as to the eligibility of co-operatives under Section 16, even on an experimental basis.

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[22] H.W. Hignett to Hon. R. Andras, January 5, 1970, and reply January 8, 1970.
R. Duchesne, Assistant Director, Loans Division, to J.A. Houston, Supervisor Prairie Region, January 20, 1970.

"We note that you have advised the co-op to proceed on the assumption that the loan will be granted under Section 40 and at the present time this is the correct stance. The co-op union has long contended that they should have available funds at special interest rates and with a variety of special concessions. The Corporation has not agreed to all of their demands but the argument continues. If there are any changes we will let you know."[23]

There certainly had been substantial changes, albeit on an experimental basis, but the office was not notified.

It might be suggested that the co-operatives are surely ingrateful to quibble over the section of the Act under which they might have received their loan. After all, they did get the loans and they did get them at a below market interest rate in 1970.

However, the question of which section of the Act they received their loans under is not at all an academic question. The change in sections of the Act had very real consequences for co-operative projects. There are at least four differences between Section 40 and Section 16 loans when viewed from the prospective of the borrower.

First of all, the co-operatives think, and records would seem to agree, that a commitment was made to them by the Minister that a few experimental loans would be made under Section 16 of the Act. The co-operatives view the subsequent change to Section 40 as a subversion of this commitment of the Minister. The first question then is of trust.

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[23] R.W. Ford, Assistant Director, Loans Division to R.D. Parkinson, Manager, London. September 3, 1970.

Secondly, there is a considerable difference in the mortgage terms between the two sections. The amortization period under Section 40 is restricted to 40 years, as against Section 16's maximum of 50 years. Then, too, Section 40 requires a mortgage insurance fee of 1% and an application fee of $35, which in some instances might have been waived for co-operative projects under Section 16 as non-profit projects. The total cost of these various factors would be enough to reduce the qualifying income on a 3-bedroom co-operative unit from the maximum end of the scale to the minimum end, on the basis of commitments made during 1970. The five-year roll-over under Section 40 introduces a significant measure of uncertainty.

Thirdly, the $200 Million special program last year is being continued, though capitalized at only half last year's rate. Co-operatives want access to a continuing program. They are concerned that the loans last year under Section 40 would be but a temporary provision, and when the program became regularized, they would still be without access to loans under Section 16, and without access to any below market interest rate loans.

Fourthly, the fact that the co-operative projects were put through the Special Program for low income housing, meant that the Corporation had much lower expectations of minimum and maximum qualifying incomes than under Section 16. The National Labour Co-op Committee's program had focused on groups who were likely candidates under Section 16 of the Act, which was understood to mean, in most major metropolitan areas, the income spectrum between

$5,500 and $8,500 per annum. It was this income group which the co-operatives saw as their target. When the income limits under Section 40 of the special innovation program were established in various locations, they were considerably below this span. This meant that CMHC found it difficult to rationalize making innovation program loans to co-operatives since the income spectrum of their members was somewhat higher than that of the target population of the program. Co-operatives, on the other hand, saw the membership which they had built up or the constituency which they intended to provide housing for, now being ruled out by the imposition of income limitations much more severe than those they had been led to expect.

The Corporation's treatment of co-operative requests for access to Section 16 financing shows a constant pattern of sophistic interpretations of the Act and of co-operatives, and, finally, a disregard of a Ministerial agreement.

E. Co-operative and Family Income Levels

The first two housing co-operative projects, Willow Park and Solidarity Towers, received mortgage loans at the NHA rate, and consequently no income limitations were involved.

The 1970 projects and the putative 1971 projects have all been Section 40 BMIR's and so involved income limitations as a condition of the loan.

The experience of co-operatives particularly on the 1970 projects, with these income limitations, has been quite unfortunate.

The Calgary project provides the best example. We have already explained the situation in some detail. At this point we shall merely give a brief recapitulation. Prior to the meeting in Ottawa at which the income limits were thoroughly adjusted, the Corporation had established as the minimum qualifying income for the units an income of 3 1/3 times the monthly charge, not including heat or utilities. This would mean that 30% of the income was close to gross debt service. General Instruction #344 on changes in income levels for conventional Section 16 projects specifically instructs the Branch to allow for all such services, even if not included in the rent, when establishing the appropriate income scale. In Calgary, once the amounts for heat and utilities were included, applicants with minimum income would be spending 32.3 to 32.7% of their incomes on rent. Furthermore, the residents must put up a member loan for the equity. Even at the maximum income allowed at the BMIR, once utilities were included the percentage of income devoted to rent remained between 29.7 and 30.9% A similar project under a conventional Section 16 loan would have had a minimum income rarely exceeding 3 1/3 times the fully serviced rent, and the maximum income would not have been reached until 21.7% of income was expended on rent. And of course, in this situation the resident would not be obligated to provide any equity for the project. The reason that a resident of the Calgary co-operative could reach the maximum income allowed at the BMIR and still be paying 8-9% more of his income for rent, without making allowance for the equity, than a resident of a limited dividend project, was because the maximum income limits were not based on the fully serviced monthly charges and the spectrum between maximum and minimum incomes was extremely small. On the co-operative

project it ranged from $360 per year on just over half the units to $500 a year on the balance. In conventional Section 16 projects, the maximum income would not be reached until the annual income had increased by two to four times the $500 figure mentioned above.

The London Co-operative has had a not dissimilar experience. On all three schedules of income limits which the co-operative has received from the Corporation, the maximum income has been identified as that which was three and one-third times the annual monthly charge. This, of course, should be the minimum income. This error, which the co-operative is now trying to have rectified, did not result in the substantial damage incurred by the Calgary co-operative. This was in large measure a function of the fact that the London co-operative had not built up a substantial membership with expectations of conventional Section 16 limits. It was also not regarded as a tremendous problem by the co-operative because of the confidence which they had in the Corporation. This led them to believe that the error would be rectified when realized. If the London co-operative had not learned from the Ontario Habitat Foundation that the limits as stated were in error, and had instead applied them in marketing the units, they undoubtedly would have experienced real difficulty.

In these instances and others, the Corporation has been obviously uncertain of what monthly charge to apply the relevant percentages to. Since the notion of co-operatives as home ownership has been so well grounded within the Corporation there is a strong tendency to refer to gross debt service ratios. However, since it is realized that this does not make a great deal of sense, a reference to the monthly charge has also been included in several

instances. The following quotation from a letter from the Branch Office to a local co-operative is fairly typical. "We would therefore expect to find these incomes generally in the range derived from 3.33 to 4.6 times the rental or gross debt service of the units."[24]

Since housing co-operatives are not home ownership in any legitimate sense, it would seem appropriate that in fact the income limitation should be based on the monthly charge for fully serviced units, as in conventional Section 16 projects. Relating income to gross debt service and home ownership is an expression of the fact that the resident owner is deemed to have a substantial amount of control over items such as heat and utilities. In a multi-unit co-operative project where such items are usually bulk-metered and provided at a flat monthly rate, the occupant of course has no control over the cost of these items to him. The income limits should, then, be based on the monthly charge for a fully serviced unit.

This should be made clear to branch offices of the Corporation. It would also seem necessary to instruct Branch offices as to the manner in which the appropriate income limitations should be established including the basis for the various calculations. Confusion on this matter seems to be widespread, and is very serious to a co-operative.

24 J. McCullogh, Manager, Toronto Branch, to CHC Toronto, July 15, 1971.

F. Funds from Approved Lenders

It became apparent to the Corporation at an early date that approved lenders would not lend to co-operatives, and as a result virtually all co-operative loans would have to be made directly by the Corporation. The first explicit mention of this is in a memorandum of 6 June 1950: "It appears that our present lending institutions will have nothing to do with co-operatives. Accordingly, we will be taking the co-operative business under 31 (A) almost automatically."[25] On May 28, 1953, Mansur wrote to the Hon. R.H. Winters, the Minister responsible for CMHC, and noted that "The lending institutions are very frank that they will not make a loan to a co-operative in either form (that is, to either a building or continuing co-operative)." A memorandum from Vice President Secord to the Executive Committee on 21 May 1954 notes, "It was established at our meeting with the approved lenders on May 4th, that the approved lenders would not be interested in granting loans to co-operative groups." Before a direct loan application would be considered, however, the Corporation still insisted on the co-operative providing evidence that such financing was in fact not available for a particular project.[26]

On 8 April 1959, President S. Bates, reported to the Hon. H.C. Green on N.H.A. loans to co-operatives. He noted that, "Approved lenders can also make loans to co-operatives under Section 7 of the Act, but none of the approved lenders has been willing to engage in this type of

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25 H.C. Linkletter to J. Pickersgill.

26 Secretary General's Memorandum #29, 16 March 1955, paragraph 1.1.

financing."

The only clear exception to this general situation of lender resistance to co-operatives was, of course, in Quebec where the Caisses Populaires and associated organizations made many loans to co-operative housing groups during the 1950's. Most of these loans were not insured and all were for building co-operatives.

It should also be noted that the reluctance of the approved lenders to lend to co-operative projects was at least in part related to their general policy of not lending to individuals constructing their own houses. This was certainly the case in connection with the resistance to loans to building co-operatives.

Prior to the 1970 program, branch offices of the Corporation were strongly advised that co-operatives should make every effort to obtain financing from an approved lender before the Corporation would entertain a direct loan. We have already reviewed the situation at Windsor where in 1968 the co-operative and the Corporation made a very vigorous and determined effort to obtain mortgage financing from several approved lenders but they were turned down in each case. Clearly, the reluctance of the approved lenders was directly related to the fact that this was a co-operative project by an untried group. At a time when there was a considerable competitive demand for loans, approved lenders were clearly not interested in giving mortgage loans to co-operatives, even if such loans would be fully insured by the Corporation.

Approved lenders have not been sought out and interviewed to determine whether or not their reluctance to make loans to co-operatives is based upon their knowledge of the shaky history of the building co-operatives in the 1950's, simple ignorance as to the form of housing which co-operative tenure is, or a realization of the ideological differences between co-operation and capitalism. The senior loans officer of the Corporation has said that approved lenders, "distrust" co-operatives.[27] It seems certain that the resistance to co-operatives must involve at least some ideological component. That is to say, some recognition that the co-operative way is based upon a different set of values and commitments than those of the approved lenders with private home owner and private enterprise mentalities. In this situation, it will probably be considerably more difficult to move approved lenders to the point where co-operative loans will be considered seriously.

Approved lenders, of course, must give co-operatives more than the benefit of the doubt. They must be willing to judge a co-operative application on the basis of the market possibilities for a particular project while being relatively uninterested in the covenant offered by the developing group. The more they are concerned about the covenant the less likely they are to make a loan.

This was revealed quite clearly three years ago when the Citizens' Housing Committee of Metropolitan Toronto interviewed a number of insurance and trust companies to see if they would be interested in making a loan to this

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27 A.D. Wilson to C. Mahood, October 24, 1969.

non-profit, co-operative group. The common response from loan managers was that the Committee should feel free to submit an application for a loan. The lender would evaluate it together with all other loan applications received that month, and if the proposal showed better security and return than others received by the lender in that month, it would stand a strong chance of receiving a loan. On this basis, new co-operative development groups in particular would stand virtually no chance of receiving a loan.

The chances of receiving loans from approved lenders is very likely further diminished by the increasing tendency of lenders to take an equity position on projects.

The only way in which this situation might be altered would be if the Corporation were to join with the co-operatives and make a very strong attempt on a broad basis to introduce co-operatives to approved lenders and to make clear that, in a situation of continued reluctance by approved lenders, CMHC would simply continue to fund co-operatives on a direct loan basis, thus reducing the amount of funds they would have available to support developers and other favoured clients of approved lenders.

Co-operative institutions have not been very supportive in this field either. At the present time co-operative housing organizers are making an increased effort to attract funds from co-operative insurance and banking institutions. The labour movement is also making increased attempts to obtain control of the investment decisions of their pension funds, but this drive is being hampered by the fact that they are also negotiating for pensions to be completely advanced by the employers. Obviously, the more the

pension funds are paid by the employer, the less control the unions will demand, or will have a cogent case for demanding.[28]

G. Corporation Attitude Toward Co-operative Housing

The best that can be said of the Corporation's attitude toward co-operative housing is that most officers of the Corporation have an enormous lack of enthusiasm for it.

There is some very favourable appreciation of the building co-operatives in Nova Scotia, probably because they represent the self-help ethic at work, and also because, through the mediation of the provincial housing commission, the Corporation is spared dealing with the various details of these projects during the development period. However, even in the instance of building co-operatives, particularly in other parts of the country, it became clear that such co-operatives were not receiving "the best" from Corporation personnel. This is especially clear from one memorandum sent from Head Office to regional supervisors. We will quote it at length:

> The fact that there is statutory recognition of co-operatives in the NHA carries the direct implication that there be no administrative prejudices displayed against Co-operative Associations seeking to solve their housing needs. Nevertheless, some things have occurred which are at least symptoms of such prejudice and, unless checked and corrected, can lead to some well merited criticism. Things have been done or left undone by certain co-operatives which have given rise to some fully warranted administrative criticism or objection, but not to a point where there can be any deep-rooted prejudice... The symptoms referred to above

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28 Interview with G. Haddrell, C.H.F.

are not believed to be widespread by any means, but a few CMHC people have helped to create an atmosphere of mutual hostility.

The following comments are intended to be helpful to the Regional officials in bringing about a better understanding and appreciation where there are reasons to suspect that the general attitude of the Branch or field officials is more of less hostile, aloof or careless in the matters of loans to Co-operative Housing Associations.

...This is not to suggest that there be any mollycoddling, but there is a need at all times to combine dignity, courtesy, patience and firmness in a degree at least equal to the requirements of healthy public relations with any other group or individuals with whom CMHC transacts business.

Anyone who has observed a group of citizens deny to themselves and their families practically all opportunities for recreation for a period of a year or more in order to contribute their hard labour in addition to their usual pursuits, in acquiring homes, may conclude that the group concerned must enjoy doing things the hard way, but no one is entitled to discount the quality of citizenship which impels people to help themselves. There is no doubt about it being the hard way, but there is some responsibility on CMHC in doing what it can within reason to avoid making the hard way even harder.[29]

During the 1960's the source of much of the ambivalence toward co-operative housing was within Head Office. A reviewer of the Midmore Report noted "I am afraid I can't be converted to a personal enthusiasm for the idea of cooperative ownership of real estate. People ought to be as free as possible to find the kind of shelter they require as their accommodation needs change, and any unnecessary entanglements ought to be avoided...It seems to me that

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[29] G. Murchison, Associate Director, Mortgage Lending Division to all Regional Supervisors, July 12, 1954.

CMHC can be completely neutral on this matter. We have no special mission to favour or encourage housing co-operatives, but we offer them every aid available under the Act."[30]

> At present the posture of the National Housing Act and of CMHC is, I suppose, quite neutral and objective...in general, co-operative ownership has been regarded as one of the forms of private ownership and the facilities of the National Housing Act are available on much the same terms as for any other form of private ownership....
>
> Perhaps the strongest claim for a preferential attitude towards co-operatives springs from an evangelical point of view associated with the co-operative movement. The co-operative movement is based on a genuine and admirable socialist view that people should be able to conduct their own affairs for their own well-being, without the element of private profit and without being prejudiced by outside economic interest....

"Co-operative ownership seems to fit a social situation requiring less flexibility." The author goes on to put forward what he admits is a quite personal consideration.

> To live in a city neighbourhood happily and successfully, people find that they must maintain a polite but somewhat withdrawn (arms's length) relationship with neighbours. These harmonious relationships can be easily upset when issues of a quite different kind are introduced. Home is a very private thing and anything to do with one's own private affairs is best kept independent and separate from the friendly contacts with neighbours. This is the nature of life in cities and city people are wise to avoid getting into situations that may cause disagreements, friction and entanglements with neighbours. I can't imagine anything more likely to jeopardise this kind of stability

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[30] H.S.M. Carver, Chairman, Advisory Group, to P.S. Secord, Vice President, Dec. 26, 1952.

> of family life than becoming involved in a venture of co-operative housing. For this reason I, personally, find it very difficult to appreciate the evangelism of co-operative housing in the context of city life. It is a form of endeavour that lends itself to certain kinds of business undertaking (sharing with your colleagues, for instance, in the marketing of your products). But it strikes me as being peculiarly unsuited to the cultivation of a free and independent life in the modern city.[31]

This quite strong and clear statement of Anglo-Saxon privatism can fairly be regarded as part of the dominant ideology within the Corporation.

But members of the Corporation also felt that co-operatives were unduly critical of entrepreneurial capitalism: "All the (co-operative) representatives seemed to feel that there is something sinister in the institution of the entrepreneur and that in some manner it should be replaced by amateur groups self-interested but ignorant citizenry guided by the wisdom of experts provided free by the State."[32] This was the commentary on the co-operatives' request for technical assistance to be provided by the Corporation.

Later in the decade, a memorandum from the Corporation to the Minister suggests that the performance of the co-operatives is hardly sufficient to warrant their being used as a major instrument of low income housing and, furthermore, that one of the persistent problems of co-operatives is that their promotional and organizational

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31 Humphrey Carver, Chairman, Advisory Group, to H.W. Hignett, Vice President, Oct. 11, 1963.

32 A.D. Wilson, General Counsel, to H.C. Linkletter, Executive Director, May 24, 1963.

expenses have far exceeded ordinary contractor's overhead and profit.[33] Since by the date of this memorandum, only the Willow Park co-operative project had been completed, it is very hard to understand the basis for this assertion. After referring again to alleged but unspecified problems of co-operatives, an additional memorandum concludes, "All of the foregoing may suggest a rather negative attitude of the bureaucracy towards the co-operative's new thinking but has been prepared as a balancing paper to the submission not as a counter argument to the philosophy."[34]

The Corporation's fundamental attitude might be said to be that the arena of housing is one in which the normal laws of the market rule, and any one who wishes to play in this arena must be willing to operate according to these market laws. CMHC thinks this is particularly the case with the newer development co-operatives who do not assemble a body of members prior to the commencement of a project. CMHC has referred to their activities as akin to those of the "speculative builder".[35] In this situation CMHC has little sympathy for co-operative requests for special consideration. The Corporation has to its own credit made loans to a co-operative on the basis of effective demand in an area without being overly concerned about the co-operative's financial or managerial competence. The Corporation has yet to suffer from this approach, but they have given co-operatives a certain amount of preferential aid by considering the loans in the manner in which they did.

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[33] H.W. Hignett, President (A.D. Wildon) to Hon. R. Andras, Sept. 24, 1969.

[34] A.D. Wilson, Executive Director, to Carol Mahood, Legislative Assistant to Hon. R. Andras, Oct. 24, 1969. The tone of this document, and the previous, well conveys the attitudes behind the positions taken.

[35] A.D. Wilson to C. Mahood.

But when co-operatives press for changes in CMHC policy or procedure or changes in the NHA, then the Corporation quickly reverts to a stance which says that the Corporation and the Act are objectives and neutral elements in the housing market. Any changes for co-operatives cannot be justified.

Co-operatives are seeking preferential arrangements in the area of low income housing which is clearly not a market area. It is an area in which the market-ruled economy has shown itself unable to act. And with few exceptions, the co-operatives are not seeking to have various inequities, such as the 80% requirement which is not applied in other forms of tenure, or the access to the low market interest rate, brought into the line with the treatment available to entrepreneurs and corporations under the Act. Of course, additional assistance will be necessary for co-operatives to serve low income families.

It is difficult to see how co-operatives can receive more favourable consideration, or any honest estimation of their potential contribution in solving the low income housing problem, as long as the guiding ideology of the Corporation remains that of free enterprise, nuclear family privatism, and the myth of bureaucratic neutrality.

CHAPTER 7

LOW INCOME HOUSING CO-OPERATIVES TOWARD A POLICY AND A PROGRAM

A. Policy

Introduction

The relative intractability of policy development to rationalization arises in large measure from the value-embedded characteristics of policy. Indeed often the most basic considerations in policy formulation, evaluation or decision are values.[1] Needless to say, co-operative housing has not been exempted from this situation.

At the first level of consideration and initial formulation, policy toward co-operative housing will inevitably reflect the values of the actors (the Corporation and the co-operatives) and those attributed to the low income target population, as well as an evaluation of competing policies and programs. Let us attempt to situate co-operative housing in this context.

There is as yet no accepted paradigm in the field of value study.[2] This situation seriously handicaps any studies and tends to drive any study of values of institutions or societies back to first principles. Such an approach is

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1 Y. Dror, Public Policy-making Re-examined (San Francisco: Chandler, 1968).

2 H. Fallding, "A Proposal for the Empirical Study of Values," American Sociotorial Review, 30 (1965) pp. 223-233; N. Rescher, An Introduction to Value Theory (Englewood Cliffs: Prentice Hall, 1969).

obviously beyond the scope of this paper. We will not be able to engage in a comprehensive discussion of the values of the Corporation, of co-operatives, or of low income target populations. Nor will we attempt to map intersections, linkages or conflicts between the values of these various groups. Any attempt at a comprehensive treatment would of course be handicapped by the fact that none of the groupings mentioned is likely to be homogeneous with respect to values and in some instances the dominance of one pattern may be relatively insecure. All of these groupings are characterized at the present time by a relatively high degree of value flux; values in these institutions are undergoing change at varying rates and in relation to each other. This paper, and the general task force effort, is, of course, part of that process of value change.

Given all these caveats, we shall simply attempt a value scan of the organizations of groupings mentioned. The purpose of the scan will be to highlight those values which are deemed to impede or assist the development of a co-operative housing policy and program for lower income families and single people.

<u>The Corporation</u>

The Corporation is presently imbued with a high sense of the inherent rightness of free enterprise and its relative effectiveness as against public or co-operative enterprise. There is a widely shared belief that government intervention, or even activity, should be minimal and exceptional. There is a general belief in the greater effectiveness and efficiency of large organizations, both generally and in the arena of housing. Housing production and operations are viewed as a "business" and are evaluated

at the level of obvious and visible costs, while little attention is paid to broader social costs or benefits. In this force field, the Corporation sees itself as effectively a neutral agency.

To the extent that the cognitive component in these value positions can be shifted towards the contraries of any of them, the relative possibility of a more active public and co-operative housing program is enhanced. Thus, to the extnet that the Corporation perceives the social cost to society of free enterprise, the diseconomies of oligopolistic activity in the housing arena, the fact that the Corporation at present is not neutral but rather partisan in the housing arena, and that in development and especially in the operation of housing projects that "inefficient" organizations (tenants' associations) might be much more efficient in achieving both financial and non-financial goals, then the possibility of a stronger public and co-operative sector will be assisted.

The Corporation, particularly Head Office, is composed of persons who have placed high value on and have been able to achieve home ownership. The exercise of gaining and disposing of a home is for most people their most significant opportunity to succeed in a free enterprise activity. Home-ownership makes every man a "free enterpriser". This attitude is coupled with a strong emphasis upon the individualism which is common in hierarchical and competitive organizations. This leads to a strong value being placed on nuclear family privatism in housing. To the extent that the cognitive and affective components of these values can be shifted toward their contraries, then the relative position of other forms

of housing tenure and forms of non-family activity which increase human interdependence, will be improved.

The Corporation, in concert with the previous two clusters of values, is generally quite sceptical of the ability, integrity, and moral probity of those requiring some form of public assistance. There is a strong preference for control rather than participation. To the extent that the contraries of these cognitive elements of values can be promoted, the possibility of change toward a broad variety of policies for low income housing will be enhanced.

Societal Values Affecting Acceptance of Co-Operative Housing

All that shall be attempted in this section is to indicate a series of pairs of terms in order that there might be some directionality in the relationship imputed between the shift in societal values and the potential acceptability of co-operative housing:

1) From corporate control to consumer control.
2) From home ownership as a absolute right to home ownership as security of tenure.
3) From home ownership as a significant opportunity for working class entrepreneurialism to cultural and employment environments which both diminish the importance of this need and provide more legitimate ways of satisfying it.
4) From individualism to interdependence.
5) From privatism to communalism.
6) From inter-urban stability to inter-urban mobility and intra-urban stability.
7) From passive political styles to activist, interventionist political styles.

These pairs have attempted to reflect the externalities present in the future possibility of significant co-operative housing activity without reflecting future activity by the co-operatives or the Corporation which will of course, have a direct and primary influence.[3]

Co-Operatives

Co-operatives, of course, largely reflect the dominant values in the broader society. There is as yet very little study of the value patterns that actually occur in co-operative residential communities. No studies have been undertaken by either UHF in New York or FCH in other parts of the United States. Neither of these organizations were aware of studies performed by others on the changes in values which might have been experienced by co-operative residents.

Thus it might be expected that to the extent that co-operatives can align themselves with the cluster of values appearing in the previous section on the right-hand side, and to the extent that there is a societal shift toward those values, then the relative position of co-operative housing will be enhanced.[4]

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3 K. Baier and N. Rescher, eds., Values and The Future (New York: Free Press, 1969).

4 Some of the considerations in determining values in a co-operative community are set out in John Jordan, "Testing Value Change in a Co-operative Housing Community," unpublished paper, June, 1971.

B. Program Elements

Non-program to a Well-Defined Program

Background

There is as yet within the Corporation no coherent program for co-operative housing. Each housing co-operative application has touched off a myriad of policy or procedural questions. Until 1970 co-operatives were not thought of at all in the context of a low income housing policy, with the exception of the building co-operative program in Nova Scotia. The fact that several co-operative projects were brought forward in 1970 under the $200 Million special program was not a process initiated by the Corporation. In a number of instances -- Calgary would be the best example -- the co-operative projects were not seen by their proponents as low income housing. This led to a conflict between the objectives of the co-operative and the objectives of the Corporation. This conflict well illustrates the lack of a coherent program within the Corporation toward co-operative housing. At the same time, it is to the credit of the Corporation that they vigorously encouraged co-operatives to mold proposed projects under the $200 Million program to meet the housing needs of low income families. This was the first time that the Corporation had viewed housing co-operatives within the context of a low income housing program.

Issue

The basic issue is whether a deliberate decision toward the inclusion of co-operatives in a low income housing

policy package shall be undertaken. Given the existing organizational requirements of a successful co-operative housing program, it is recommended that a decision to mount a low income co-operative housing program be accompanied by, and coordinated with, a coherent and well integrated program of co-operative housing for middle income families.

Options

The first option is to retain the present policy of a "neutral" Corporation response on a project-by-project basis; that is to say, a non-program. This approach (while not encouraging unrealistic expectations and reducing the number of Corporation programs thus facilitating administrative simplicity) would write off the resources which the Corporation has already invested in a co-operative housing program through its supportive grants to the Co-operative Housing Foundation. This approach would also retain the undesirable feature of a disproportionate amount of Head Office management's time being devoted to questions of policy toward co-operatives as they arose on a project-by-project basis.

The second option would be to develop a comprehensive and integrated program for co-operative housing for low income, lower middle income, and middle income Canadian families and single people. This approach capitalizes on resources already invested, and gives the Corporation an additional tool to be used in concert with the broader non-profit housing program. Such a program should be able to bring into the housing field a broad variety of organizations in a sponsorship and service capacity, particularly for lower income families.

National Housing Act Revisions

We have previously considered the limitations of the National Housing Act, Section 7 (formerly Section 8) and the way in which administrative interpretation of the Act, particularly regarding co-operative tenure, the 80% requirement, and access to Section 16 financing, has handicapped co-operatives, and deterred them from playing any role in housing low income families. A decision to create a viable co-operative housing program will require changes in the National Housing Act. The following is a list of items which should be covered in amendments to the Act:

a. Clarification that, for the purposes of Corporation programs, co-operative tenure is recognized as a distinct tenure form.

b. Description of the eligibility of the low income co-operative borrower.

c. Explicit mention of the lending programs open to housing co-operatives.

d. Provisions for co-operatives to purchase land at cost from government land banks.

e. For low income co-operatives in particular, grants to assist in the preliminary organization of a project and to enable participation by potential low income residents in the early stages of project formulation and planning.

f. Clarification of the subsidy programs to which co-operative housing and/or its occupants would have access.

g. Reference to co-operatives being appointed as government agencies with reference to Section 40 (35A) of the Act.

Co-Operative Tenure

Background (For extensive discussion see Section 6.2)

The interpretation of co-operatives as a form of home ownership is not technically correct and leads to inconsistencies in lending and administrative policy. The issue is whether or not co-operative housing should be given explicit recognition as a distinct form of tenure in the Act, with instructions to the Corporation to review lending policy so as to produce a consistent, coherent and well integrated lending policy for co-operative housing.

Options

One option would be to rationalize Corporation lending policy and mortgage administration policy toward co-operatives without changing the Act. This simplifies the matter of amendments to the Act and allows the Corporation greater flexibility. On the other hand, the view of co-operatives as home ownership is deeply seated within the Corporation and the realistic possibility of favourable administrative rationalization must be faced. Given this situation, it would seem to be appropriate from the standpoint of providing a statutory footing for co-operative housing, and from the standpoint of political accountability, to insure that an explicit program received the approval of elected representatives.

For these reasons the option of an amendment to the Act which would establish the nature of co-operative tenure is preferred.

The 80% Membership Requirement

Background

For a review of policy to date, see Chapter 6. Since the 80% requirement has been fulfilling a number of functions to date, we shall look at each individually and recommend appropriate policies.

First, it is suggested that instead of using this device to reduce mortgage lending risk, the Corporation rely instead upon policies used with other types of borrowers: an estimation of the effective demand for the project, managerial competence of the proponent, and the mortgage provision allowing the Corporation to cease advancing at any time.

Secondly, the concern for participation be approached by:

1. ensuring that co-operatives during the development phase have an adequate program of orientation which includes co-operative education, and involves future residents in the operational planning;
2. encouraging co-operatives to remain open to participation by future residents in the development phase;
3. providing grants for social animation to increase participation and education particularly in the instance of low income co-operatives.

Thirdly, the concern for restricting any co-operative lending program to a bona fide co-operative be satisfied by the adoption of administrative policies that ensure

(for market interest rate programs) that the Corporation continue with its present policy of determining the bona fides of the co-operative applicant, and for below market interest rate programs, that an eligible co-operative applicant be restricted to one of the following forms:

a) a co-operative whose members intend to occupy the project upon completion and meet the income requirements for such occupancy;

b) a co-operative whose members are representatives of co-operative, labour, church, or other social organizations encouraging co-operative housing and whose members are deemed to be likely occupants of the completed project;

c) a co-operative which is the nominee or is acting on the behalf of one of the groups previously listed;

d) a combination of one or more of the above.

Mortgage Loans for Co-operatives

Market Interest Rate Loans

In Chapter 4 we discussed the attempt to obtain a market interest rate loan from an approved lender for the Solidarity Towers project in Windsor. The Corporation in this instance, was quite vigorous in its attempt to entice an approved lender into making a loan to the co-operative. In Chapter 6 we also reviewed the broader history of the reluctance of the approved lenders to make loans to co-operative housing associations. In previous sections we have argued that a successful low income co-operative housing program in the absence of a middle income co-operative housing program is unlikely. The success of the latter is, of course,

dependent upon a flow of market interest rate loans from the Corporation or from approved lenders. If loans cannot be obtained from approved lenders, then the co-operatives will look to the Corporation. Our scan in Chapter 5 of the co-operative housing situation across the country indicated the potential for co-operatives to produce 15,000 to 20,000 units by the end of the decade. Obviously some source of mortgage financing in addition to that of CMHC will have to be found.

It is therefore recommended that the Corporation in the near future institute a deliberate program of explanation and advocacy of co-operative housing with approved lenders. The statistical experience from the United States showing that co-operatives have had the best repayment record under both market interest rate and below market interest rate programs should be of material assistance. It could also be noted that there has evidently been only one default on the co-operative loans issued in Nova Scotia.[5] Any such presentation would have to explain the nature of co-operative tenure and the basis on which co-operative loans have been made as well as the institutions providing technical, organizational and management assistance to co-operatives.

<u>BMIR Loans, Incomes and Subsidies</u>

Co-operatives will be able to play only a small role in providing housing for even the lower middle class if below market interest rate loans cannot be obtained.

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5 R.D. Corkum, Self-Help Program Co-ordinator, NSHC, to Judi Stevenson, LIHTF, May 6, 1971.

In Chapter 6, we reviewed the background and current status of co-operative requests for access to limited dividend loans, and the consistent response of the Corporation. If it is decided to utilize co-operatives or one form of housing for lower income families, then there can be no continued resistance to co-operatives having access to limited dividend financing, unless of course, an extensive rent supplement or housing allowance program is introduced. Even in that event it would seem preferable to provide a BMIR loan, and make a lower subsidy payment in addition to it.

The major consideration here is the need for a policy which would enable co-operatives of families with greatly differing incomes. This, from experience, could be a unique and salutory feature of housing co-operatives.

We shall look at four areas: 1) income distributions within co-operatives; 2) limited dividend financing; 3) Section 58 (40) BMIR financing; and 4) subsidies for low income families.

Willow Park and Solidarity Towers, without income limits, have shown themselves able to attract a wide spectrum of incomes. Solidarity Towers has residents with annual incomes from $2,000 to $35,000 per annum, and Willow Park has member residents with annual incomes ranging from families receiving welfare assistance to a significant percentage of professionals. The information on the 1970 and 1971 projects is still incomplete since none of these projects is yet completed and occupied. The present situation, however, shows that this ability to attract both high and

low ends of the income spectrum is being continued. Calgary has found its new Section 15 (16) type limits to be acceptable to prospective residents; Vancouver has a proposal to make 10 units available to families which would receive public housing assistance; Co-op Habitat in Cooksville found its first approved applicants were at the low end of the scale and the Toronto CHC project has similar applicants. In each case there are interested prospective members at the top of the income scale.

It is important that the financing provisions allow co-operatives to retain this broad base of potential applicants. It should extend, ordinarily, from families with incomes from \$4,000 to \$12,000 per annum with room being made for exceptions at both ends, but particularly at the bottom through some form of public assistance. Co-operative projects with this span would provide a valuable living experience for the residents and would provide, without stigma, a form of assisted housing for low income families and individuals.

Not all BMIR programs have equivalent terms. The following are the dirrerences between Section 15 (16) and Section 58 (40) loans:

	Section 15 (16)	Section 58 (40)
1. term	50 years	5 years (roll-over)
2. amortization	50 years	40 years
3. interest rate	varies: same for both programs	
4. fees	not necessarily	\$35.00/unit
5. insurance fee	none	1% of loan
6. formal program?	yes	no
7. annual incomes of client population	C 5000-8500	C 5000±

Because of the lower cost to the resident under Section 15 (16), and the lower risk, since there is no roll-over, it is recommended that loans should ordinarily be made under this Section of the Act. Co-operatives do require special considerations, and the following alterations from a conventional Section 15 (16) are suggested:

1. Not more than 10% of the residents may at entry have incomes beyond the maximum allowed by the conventional Section 15 (16) regulations or formula;

2. The co-operative should be able to accept any number of persons with incomes insufficient to enable them to pay the economic monthly charge; the difference will be made up from rent supplements and/or the surplus built up from members with incomes beyond the maximum limit.

3. The co-operative should be encouraged to recruit 90% of its residents from the lower end of the income scale (that is, with incomes 3 1/3 times the rent).

4. There should be no limit on the number or percentage of the families who upon entry had incomes below the maximum allowed under the Section 15 (16) regulations or formula, and whose incomes subsequently exceed that amount. In each instance they would simply pay a monthly increment which would be equal to the indirect subsidy which had been provided through the difference between the BMIR and NHA rate.

5. The maximum income must take into account the equity contribution of the member and allow an actual or opportunity cost percentage of it to be imputed to total monthly charge. The percent allowed should be generous since these funds may often be borrowed. The bank rate for household loans (10-12%) is suggested as an acceptable rate.

6. Since the objective is to retain permanent access to units for lower income occupants, the monthly rate for a unit occupied by a surcharged resident should fall back to the BMIR derived rate upon his departure. This would be in contradistinction from the American program and the only known

Corporation suggestion of how such a program might operate in a co-operative context,[6] both of which require the unit to remain at the market rate once it has reached it.

The 1970 $200 Million special program provided that co-operatives could accept and retain varying numbers or percentages of residents with incomes beyond the specified maximum for a particular project. These residents would pay an increment to their monthly charge which would remain with the co-operative to be used as a fund to enable low income members who could not afford the economic rent to occupy a unit in the co-operative project. A number of the co-operatives have also made arrangements, usually through churches, for the provision of equity for such families either as a continuing loan or outright grant to an individual. It is still not at all clear how this program of internally generated subsidies will actually work out. Some co-operatives clearly regard it as burdensome from the start. The rental manager of one of the Calgary project reported that he had not been made aware of this arrangement even though he had been on the job for several months.

The Co-op Habitat Association of Toronto prepared an extensive report on guidelines as to how such an approach might operate. The basic elements of the Co-op Habitat proposal are the following:

i) The suggested profile of incomes is 10% subsidized, 20% surcharged, 70% unsubsidized.

ii) The maximum subsidy to be made available to any member will be approximately 50% of the mortgage and interest portion of the monthly charge to their unit.

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6. A.D. Wilson to J. Midmore, 26 January 1970.

iii) The maximum surcharge will represent an increase from the Section 16 rate to a rate 1½% higher (this was calculated to reflect actual conditions at the time the loan was granted).

Co-operatives are very concerned that they and their members may be put into a very difficult position by the departure of surcharged members, thus removing the source of the subsidy. They foresee operational problems of the kind which would occur if a number of departing members were those paying the surcharge and it was not possible to replace them with members in an equal income category. As a result, there would be no source of funds to pay the subsidy necessary for families with incomes below the minimum level. At one point Co-op Habitat had suggested that CMHC guarantee the continued occupancy of families with incomes below the necessary minimum for the economic rent until such time as the co-operative could attract higher income families and again be able to have a source of funds to provide the subsidy. This idea does not seem to have been carried through in the final agreement. I think it is safe to say, however, that most co-operatives would look to CMHC in the event that the situation did occur.

In addition, and more importantly, the internal subsidy approach, with limits on the percentage of surcharged units, means that subsidies will be available for only 5-10% of the units. This is simply insufficient. There should be a form of direct assistance available to the occupant of the unit. There are several ways in which this could be accomplished. We shall review only three. In each case, we will point out aspects which are particular to co-operatives. General arguments in respect to each will be assumed.

i) Designation of the Vancouver UCHS project, De Cosmos Village, as an "agency" of the province[7] so that 10 units in the project could be made available to families requiring financial assistance. This should be an instructive project, and others should be attempted. Advantages to the government should include less administration, and probably less cost, since the operational budget of the co-operative should be less than public housing. Public housing subsidies in co-operatives would not share the one problem met in public housing authority owned projects -- the lack of any real incentive to keep operational costs down.. In a co-operative, this pressure would be maintained by the great majority of unsubsidized residents.

ii) A rent subsidy program would be the next most logical option. The cost of such a program should be less in co-operatives than in other rental housing because the operational budget would likely be less than other comparable housing. The U.S. program, significantly, is restricted to non-profits, co-operatives, and limited dividend corporations.[8]

In terms of operations, little difference would exist between rent supplement programs and the use of public housing subsidies in cases where no equity contribution from the government is required.

iii) A variety of capital subsidies could be employed. These would include matching capital contributions from municipalities up to a fixed percentage of the cost, or a number of ways to reduce land cost. We will look at the matter of land cost in a subsequent section.

Equity Requirements

One of the major Corporation arguments against co-operatives having access to financing under Section 15 (16) is that occupants of the units would be required to provide the equity for the project. The equity for the occupant of a particular unit would amount to 5% of the cost of that unit.

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7 NHA 40 (1) and A.J.E. Smith to Executive Committee, 21 September, 1971.

8 See R. Taggart, Low Income Housing: A Critique of Federal Aid (Baltimore: The Johns Hopkins Press, 1970), p.55.

Residents of conventional Section 15 (16) projects do not have to make any equity contribution. However -- this is the important fact -- neither does anyone else in most cases. It is very clear that in most instances on conventional Section 15 (16) projects the developer or builder is mortgaging-out, no actual cash equity is required of him. The only instances in which a cash equity requirement is normally required is in Section 15 (16) projects developed by non-profit organizations. Accordingly, it would seem appropriate both in terms of equitability, and in terms of providing a workable program of housing for lower income families, to make 98% or 100% loans to par value co-operative projects and to non-profit projects. The 2% equity requirement associated with a 98% loan would be approximately 2 months' rent, though this would be difficult for very low income families, but they would most likely be assisted by some form of rent supplement of participation in a public housing program. A 2% equity requirement, however, does not really increase the lender's security, and for purposes of program simplicity, a policy of 100% loans is recommended.

Loans to Co-operatives for Rehabilitation Projects

There is a resurgence of interest in community or neighbourhood-based co-operatives and credit unions. To date the co-operatives have chiefly been direct charge consumer co-operatives, modeled on the successful Ottawa Co-op. Some of this interest is now being reflected in community-based programs for improving older areas of cities.

In Toronto, for example, ForWard 9, a ratepayers association, is proposing to purchase older housing in the area, and to lease it to current residents to stabilize housing costs and deter destructive redevelopment.

One of the major difficulties in carrying out rehabilitation projects, particularly those with a focus on renewing a particular neighbourhood, is the amount of organizational time and effort required. Co-operatives offer a vehicle that enables the combining of both widespread participation and technical competence.

It is recommended that co-operatives be included in any program to finance rehabilitation.

Mortgage Progress Advances

The policy of the Corporation toward mortgage progress advances for co-operatives has been tied in with the pre-selling requirements of the Corporation which were backed by the borrowed use of the authority of the Act. Co-operatives have generally had little complaint about the advance policy of the Corporation once advances have begun to be made.

Co-operative access to bridge financing and the cost of bridge financing varies greatly. In the prairie provinces the strong support from other co-operative organizations, and in the case of Manitoba, from the province, has enabled co-operatives to function in the presence of the Corporation's severe advance policy. The indications are, however, that this is both more expensive and a serious constraint upon the continued development of housing. In the case of Ontario, where there are not such strong co-operative institutions, such an advance policy would likely be catastrophic. Co-operatives which have discussed bridge financing with banks and conventional lending institutions

have not received very encouraging responses. It is proposed then, that during the course of construction, the Corporation utilize a conventional progress advancing policy on co-operative projects. This should be a matter of course in any case if the 80% requirement is removed.

There should be one further change made. Co-operatives and non-profit organizations face a further difficulty in obtaining front-end funds which may be required prior to the normal period for a first progress advance, but after the Corporation has approved the making of the loan. It is recommended that the Corporation adopt a policy of making early advances to co-operative and other non-profit housing projects, for the purchase of land, payment of city levies, or other preliminary expenses of the co-operative in the development of a particular project.

Fees for Corporation Solicitors

It is the practice of the Corporation to appoint a local solicitor to draw the mortgage, certify title, and progress advances. The fee paid to the solicitor is a function of the tariff prevailing in the particular place. The only exception to this has been for Section 15 (16) projects in some provinces where the Corporation has instituted a separate policy of lower charges by the solicitor.

It is well known that the solicitors appointed for the carrying out of the Corporation's business have been chosen, not so much by the Corporation, as by the government in office at that particular time.

On the projects under the $200 Million special program in 1970, Corporation officials attempted to persuade solicitors chosen to keep their fees within the range permitted in Section 15 (16) loans. In general, this seems to have been reasonably successful. This should, however, be made a formal policy.

In larger centres, it is difficult to understand why the Corporation continues to rely upon this expensive, time consuming method of political patronage. It has, in certain instances, also posed considerable difficulties for borrowers where the solicitor was not inclined to act promptly on loan advances.

Land

Obtaining land is, in most instances, the most difficult hurdle for co-operatives. There are two reasons for this. First, co-operatives in their formative stages rarely have the funds to risk on options while a project is packaged and mortgage financing applied for. Second, developers are banking much of the land. Even co-operatives which have funds find it difficult to obtain land. This was made clear in interviews with co-operatives across the country.

It should also be noted that in most instances co-operatives have obtained land from municipalities. Port Alberni, B.C., Regina and Calgary sold land to co-operatives. Land was leased for projects in Winnipeg, Hamilton, and Vancouver, as well as in urban renewal areas in Toronto and Ottawa. Only Abbotsford, Windsor and the CHAT Cooksville project have been on land purchased or leased by a party other than the municipality (or urban renewal partnership). In

the cases of Vancouver, Winnipeg, Toronto, Hamilton and Ottawa, it was leased at least 20% below market. This measure of assistance is a clear indicator of municipal support for co-operative housing. (In Windsor and Toronto, local aldermen are also members of the board of the co-operative.)

Further co-operative developments can hardly be made conditional upon the availability of municipal land under existing programs.

Access to land will be improved by seed money grants and early advances for land purchases. The possibility of providing funds to municipalities so that they might be able to purchase land for lease to co-operatives and other non-profit housing organizations should receive careful consideration.

Information and Publicity About Co-operative Housing

The level of information and understanding of co-operative housing within the Corporation, at Head Office and the branch level, is relatively low. There is a strong tendency to identify co-operatives with the building co-operatives of the 1950's, particularly in Ontario where the program was perhaps the least successful. The printed material which the Corporation makes available to the general public on co-operative housing is still focused on building co-operatives even though the more recent ones make a nod in the direction of continuing co-operatives.

It is extremely important at this juncture, that the nature of co-operative housing be more adequately communicated, to Corporation staff and the general public.

This material should include brief introductory brochures, more extensive descriptions of the process of co-operative project development, detailed explanation of Corporation policy toward co-operatives and the procedures of loan application, appraisals, and subsidies. We have only noted this requirement but it must receive a high priority.

In addition to this, the Corporation should be much more open with co-operatives, and others, about Corporation policy, as well as aspects of particular projects. The Corporation d es not seem to differentiate between co-operatives or other non-profits and entrepreneurs. In every case, an essentially adversary relationship prevails especially with respect to information. This should not be the case, especially on projects with lay mortgagors. Aspects of the project which come to the attention of the Corporation, and which it feels or knows may not be known to the co-operative, should be brought to their attention. This is especially the case with respect to appraisals, which should, as a matter of policy, be reviewed with the lay proponent.

Conclusion

If the various program elements are combined into an integrated and coherent policy, and if Corporation attitudes become more disposed toward co-operatives, then an additional, and potentially, invaluable tool will have been added to the approaches to alleviating the housing problems of low income families. But co-operative housing can go further than this; the process of communal self-government provides a form of participation which can

reduce the alienation of many from social institutions and themselves. Co-operatives provide participation in a corporate society. For many, it will be their first opportunity. It may well increase their political, inter-personal, and organizational competence. This could be of material assistance in breaking the cycle of anomie and alienation which accompanies the isolation and exploitation of many low income families and single people.